ATAC Resources Ltd.

Consolidated Interim Financial Statements

For the nine months ended

September 30, 2014

Unaudited – Prepared by Management

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

November 13, 2014

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, 2014 $	December 31, 2013 $
Assets			
Current assets			
Cash and cash equivalents	3	21,329,654	19,662,908
Receivables and prepayments	4	180,954	95,240
Marketable securities	5	104,785	108,766
		21,615,393	19,866,914
Non-current assets			
Marketable securities	5	1	1
Prepaid exploration expenditures		14,916	17,504
Mineral property interests	7	89,828,882	85,177,626
		89,843,799	85,195,131
Total assets		**111,459,192**	105,062,045
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		200,374	197,695
Accounts payable to related parties	10	534,112	332,975
Due to joint exploration partner	7(3)	-	2,503
Flow-through share premium liability	8(a)	398,641	-
		1,133,127	533,173
Non-current liabilities			
Deferred income tax liability	11	11,434,082	10,696,863
Total liabilities		**12,567,209**	11,230,036
Shareholders' equity			
Share capital	8	113,055,372	107,111,298
Contributed surplus	8	16,727,875	16,486,011
Deficit		(30,891,264)	(29,765,300)
Total shareholders' equity		**98,891,983**	93,832,009
Total liabilities and shareholders' equity		**111,459,192**	105,062,045

Nature of Operations and Going Concern	1
Commitment	14

Approved on behalf of the Board of Directors on November 13, 2014:

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

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

For the nine months ended September 30, 2014 and 2013

	Number of shares #	Share capital $	Contributed surplus $	Deficit $	Total shareholders' equity $
January 1, 2013	**103,553,136**	**94,194,018**	**24,131,040**	**(37,006,236)**	**81,318,822**
Share-based payments	-	-	2,214,345	-	2,214,345
Re-allocated on cancellation of options	-	-	(10,047,687)	10,009,525	(38,162)
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	-	-	-	(2,479,418)	(2,479,418)
September 30, 2013	**113,153,136**	**107,111,298**	**16,297,698**	**(29,476,129)**	**93,932,867**
January 1, 2014	**113,153,136**	**107,111,298**	**16,486,011**	**(29,765,300)**	**93,832,009**
Share-based payments	-	-	1,038,369	-	1,038,369
Exercise of options	860,000	248,000	-	-	248,000
Re-allocated on exercise of options	-	131,434	(131,434)	-	-
Re-allocated on cancellation of options	-	-	(665,071)	658,725	(6,346)
Private placement shares issued	3,781,441	6,806,594	-	-	6,806,594
Premium on flow-through shares issued	-	(831,917)	-	-	(831,917)
Share issue costs	-	(410,037)	-	-	(410,037)
Comprehensive loss for the period	-	-	-	(1,784,689)	(1,784,689)
September 30, 2014	**117,794,577**	**113,055,372**	**16,727,875**	**(30,891,264)**	**98,891,983**

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 nine months ended September 30,

		Three months ended		Nine months ended	
		September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	Note	$	$	$	$
Expenses					
Accounting, audit and legal	10	15,548	12,255	88,390	63,408
Consulting fees	10	10,500	40,000	31,500	127,000
Flow-through taxes	14	-	-	-	3,930
Investor relations	10	54,039	30,939	104,256	116,028
Office and administration	10	130,483	140,845	409,767	483,694
Property examination costs		6,779	-	7,067	-
Share-based payments	8	318,414	464,175	1,032,024	2,176,183
Net loss from operating expenses		**(535,763)**	(688,214)	**(1,673,004)**	(2,970,243)
Interest income		**92,791**	106,556	**283,818**	281,616
Gain (loss) on marketable securities	5	**(31,113)**	10,485	**29,132**	(66,716)
Gain on option of mineral properties	7	**-**	-	**23,375**	31,938
Loss for the period before income taxes		**(474,085)**	(571,173)	**(1,336,679)**	(2,723,405)
Deferred income tax (expense) recovery	11	**(326,827)**	(297,847)	**(448,010)**	243,987
Comprehensive loss for the period		**(800,912)**	(869,020)	**(1,784,689)**	(2,479,418)
Loss per share					
Weighted average number of common shares outstanding					
- basic #	**9**	**117,774,577**	113,153,136	**116,250,208**	109,953,136
- diluted #	**9**	**117,774,577**	113,153,136	**116,250,208**	109,953,136
Basic loss per share $	**9**	**(0.01)**	(0.01)	**(0.01)**	(0.02)
Diluted loss per share $	**9**	**(0.01)**	(0.01)	**(0.01)**	(0.02)

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	2014 $	2013 $
Operating activities			
Comprehensive loss for the period		(1,784,689)	(2,479,418)
Adjustments for:			
Gain on option of mineral property interests		(23,375)	(31,938)
Share-based payments		1,032,024	2,176,183
(Gain) loss on marketable securities		(29,132)	66,716
Interest income		(283,818)	(281,616)
Deferred income tax expense (recovery)		448,010	(243,987)
		(640,980)	(794,060)
Net change in non-cash working capital items	12	(179,046)	(94,313)
		(820,026)	(888,373)
Financing activities			
Issue of common shares for cash		7,054,594	12,960,000
Share issue costs		(554,104)	(56,960)
		6,500,490	12,903,040
Investing activities			
Interest received		283,818	281,616
Proceeds from sale of marketable securities		36,488	-
Mineral property option proceeds received		20,000	17,500
Mineral property acquisition costs		(130,846)	(164,021)
Prepaid exploration expenditures		(14,916)	(12,587)
Deferred exploration and evaluation expenditures		(4,208,262)	(6,871,654)
		(4,013,718)	(6,749,146)
Increase in cash and cash equivalents		**1,666,746**	5,265,521
Cash and cash equivalents, beginning of period		**19,662,908**	14,862,143
Cash and cash equivalents, end of period		**21,329,654**	20,127,664

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") was 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 ("financial statements") of the Company as at September 30, 2014 and the nine months ended September 30, 2014 and 2013 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 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, 2014, the Company had working capital of $20,482,266 (December 31, 2013 - $19,333,741) and shareholders' equity of $98,891,983 (December 31, 2013 - $93,832,009). 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 would 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, 2013, 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, 2014, and have been applied consistently to all periods presented by the Company and its subsidiaries and associates.

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) Future accounting standards

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2015. 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 will be enhanced disclosure requirements.

3. Cash and cash equivalents

Cash and cash equivalents consist of the following:	**September 30, 2014 $**	December 31, 2013 $
Bank and broker balances	3,148,782	317,312
Cashable investment certificates	18,180,872	19,345,596
	21,329,654	19,662,908

4. Receivables and prepayments

Receivables and prepayments consist of the following:	**September 30, 2014 $**	December 31, 2013 $
Sales tax recoverable	150,216	27,920
Exploration advances recoverable	12,641	-
Prepaid expenses	18,097	67,320
	180,954	95,240

5. 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		
	Cost **$**	**Fair value** **$**	**Cost** **$**	**Fair value** **$**	**Total gain (loss)** **$**
January 1, 2013	535,959	175,428	10,000	1	
Additions	14,438	14,438	-	-	
Unrealized loss for the period	-	(66,716)	-	-	(66,716)
September 30, 2013	550,397	123,150	10,000	1	(66,716)
January 1, 2014	550,397	108,766	10,000	1	
Additions	3,375	3,375	-	-	
Proceeds on sale	(36,488)	-	-	-	
Cost of disposals	-	(61,938)	-	-	
Realized loss for the period	(25,450)	-	-	-	(25,450)
Unrealized gain for the period	-	54,582	-	-	54,582
September 30, 2014	**491,834**	**104,785**	**10,000**	**1**	**29,132**

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 September 30, 2014, 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 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.

	Optioned to others $	Wholly-owned $	Other interests $	Total $
January 1, 2013	-	77,525,315	67,464	77,592,779
Acquisitions/staking/assessments	-	161,166	2,855	164,021
Exploration and evaluation	-	6,898,667	41,799	6,940,466
Option proceeds	(31,938)	-	-	(31,938)
Proceeds in excess of cost to profit or loss	31,938	-	-	31,938
September 30, 2013	**-**	**84,585,148**	**112,118**	**84,697,266**
January 1, 2014	-	85,058,512	119,114	85,177,626
Acquisitions/staking/assessments	-	130,846	-	130,846
Exploration and evaluation	-	4,507,841	12,569	4,520,410
Option proceeds	(23,375)	-	-	(23,375)
Proceeds in excess of cost to profit or loss	23,375	-	-	23,375
September 30, 2014	**-**	**89,697,199**	**131,683**	**89,828,882**

Changes in the project carrying amounts for the nine months ended September 30, 2014 and 2013 are summarized as follows:

Nine months ended September 30, 2013

	January 1, 2013 $	Acquisitions / staking/ assessments $	Exploration and evaluation $	Option proceeds $	Excess proceeds to profit or (loss) $	September 30, 2013 $
Project under option to others						
Idaho Creek	-	-	-	(31,938)	31,938	-
Wholly-owned projects						
Rackla Gold						
-Nadaleen	47,338,743	161,166	5,883,012	-	-	53,382,921
-Rau	29,799,856	-	1,013,270	-	-	30,813,126
Rosy	2,151	-	-	-	-	2,151
Connaught	384,565	-	2,385	-	-	386,950
Total	**77,525,315**	**161,166**	**6,898,667**	**-**	**-**	**84,585,148**
Other interests						
Dawson Gold	67,464	2,855	41,799	-	-	112,118
Total all	**77,592,779**	**164,021**	**6,940,466**	**(31,938)**	**31,938**	**84,697,266**

7. Mineral property interests (continued)

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

Nine months ended September 30, 2013	Nadaleen $	Rau $	Others $	Total $
Assays	660,583	55,918	2,938	719,439
Drilling	1,403,693	-	-	1,403,693
Field	934,371	24,861	1,044	960,276
Helicopter and fixed wing	1,080,051	61,382	8,766	1,150,199
Labour	1,469,732	49,157	2,092	1,520,981
Resource, engineering and environmental studies	40,026	807,479	-	847,505
Surveys	130,486	-	27,505	157,991
Travel and accommodation	164,070	14,473	1,839	180,382
Total	**5,883,012**	**1,013,270**	**44,184**	**6,940,466**

Nine months ended September 30, 2014

	January 1, 2014 $	**Acquisitions / staking/ assessments $**	**Exploration and evaluation $**	**Option proceeds $**	**Excess proceeds to profit or (loss) $**	**September 30, 2014 $**
Project under option to others						
Idaho Creek	-	-	-	(23,375)	23,375	-
Wholly-owned projects						
Connaught	386,949	-	-	-	-	386,949
Panorama	-	4,082	-	-	-	4,082
Rackla Gold						
- Nadaleen	53,618,075	126,764	3,759,062	-	-	57,503,901
- Rau	31,051,337	-	748,779	-	-	31,800,116
Rosy	2,151	-	-	-	-	2,151
Total	**85,058,512**	**130,846**	**4,507,841**	**-**	**-**	**89,697,199**
Other interests						
Dawson Gold	119,114	-	12,569	-	-	131,683
Total all projects	**85,177,626**	**130,846**	**4,520,410**	**(23,375)**	**23,375**	**89,828,882**

7. Mineral property interests (continued)

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

Nine months ended September 30, 2014	Nadaleen $	Rau $	Others $	Total $
Assays	210,210	1,000	3,703	214,913
Drilling	921,487	-	-	921,487
Field	695,781	8,409	8,866	713,056
Helicopter and fixed wing	785,739	15,269	-	801,008
Labour	915,615	34,063	-	949,678
Resource, engineering and environmental studies	28,802	689,113	-	717,915
Survey and consulting	72,048	-	-	72,048
Travel and accommodation	129,380	925	-	130,305
Total	**3,759,062**	**748,779**	**12,569**	**4,520,410**

(1) Project under option to others

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. and now Till Capital Ltd.), 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 (received);
  - $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 (now Till Capital Ltd.) 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 (received at $0.09 per share).

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.

7. Mineral property interests (continued)

(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, except as noted below.

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. In 2009, a 50% interest in the project was sold for cash and shares totaling $252,500. The 50% interest was re-purchased in 2012 by issuing 75,000 ATAC common shares at $2.51 per share for total consideration of $188,250.

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% NSR on all commercial production from the properties. Cash and shares totaling $328,400 have been received under previous option agreements.

Rackla Gold project

The Rackla Gold project consists of a 100% interest in the Rau (ACX, AT, BT, EX, GF, Gam, PH, Q, R, Rau, RR, S, T and WH 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. Cash and shares totaling $165,600 have been received under previous option agreements.

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 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 explore the project on a 50/50 basis with Arcus as the Operator. As at June 30, 2014, the Company's cumulative share of the joint exploration and property expenditures totalled $131,683. The Company's share of expenditures for the nine months ended September 30, 2014 totalled $12,569. As at September 30, 2014, no amounts were owed to Arcus for currently completed expenditures.

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 nine months ended September 30, 2014:

(a) On March 27, 2014, the Company completed a flow-through private placement consisting of the issue of 3,781,441 common share units at a price of $1.80 per unit for gross proceeds of $6,806,594. Each unit consisted of one flow-through common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one additional non-flow-through common share at a price of $2.70 per share until March 27, 2015. The common share warrants can be called for early exercise should the Company's common shares trade at a weighted average price above $3.75 for a period of ten consecutive days at any time subsequent to July 29, 2014.

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 will pass on to the flow-through shareholders. The premium was determined to be $831,917 and was recorded as a reduction of share capital. An equivalent flow-through share premium liability was recorded which is being reversed as the required exploration expenditures are completed. Flow-through expenditures of $3,544,000 have been completed to the end of September 30, 2014, which have reduced the flow-through share premium liability by $433,276, leaving a liability balance of $398,641 (see note 14).

The Underwriters were paid commissions and expenses of $467,396, and legal, accounting and filing fees amounted to $86,708. The total share issue costs of $554,104, net of deferred tax benefits of $144,067 have been shown as a reduction of share capital.

(b) The Company issued 860,000 common shares on the exercise of options for proceeds of $248,000. In addition $131,434 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 Agreement. The original Rights Plan was replaced with a new Rights Plan at the June 2014 annual shareholders' meeting and will remain in effect until the annual shareholders' meeting in 2017. As at September 30, 2014, there were 117,764,577 Rights outstanding (December 31, 2013 – 113,153,136).

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, less a discount of from 15% to 25%), 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 September 30, 2014 and December 31, 2013 and changes during the period/year then ended is as follows:

	Nine months ended September 30, 2014		Year ended December 31, 2013	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	#	$	#	$
Options outstanding, beginning of period/year	7,758,000	1.95	7,903,000	4.12
Granted	2,330,000	0.75	2,030,000	1.80
Exercised	(860,000)	0.29	-	-
Cancelled	(341,000)	2.41	(2,175,000)	6.41
Options outstanding, end of period/year	**8,887,000**	**1.77**	7,758,000	1.95

As at September 30, 2014, the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price $	Expiry date
1,080,000	1,080,000	1.40	January 12, 2015
100,000	100,000	1.49	June 16, 2015
1,285,000	1,285,000	1.80	March 11, 2016
100,000	100,000	2.60	January 20, 2017
2,142,000	2,142,000	3.00	March 23, 2017
20,000	20,000	1.70	December 14, 2017
1,860,000	1,860,000	1.80	January 29, 2018
2,300,000	1,150,000	0.75	February 3, 2019
8,887,000	7,737,000		

The following table summarizes information about the stock options outstanding at September 30, 2014:

Range of prices $	Options #	Weighted average remaining life years	Weighted average exercise price $
0.75	2,300,000	4.35	0.75
1.40 - 1.80	4,345,000	1.96	1.69
2.60 - 3.00	2,242,000	2.47	2.98
	8,887,000	2.72	1.77

8. Share capital (continued)

Stock options (continued)

During the nine months ended September 30, 2014, 2,330,000 stock options (2013 – 2,030,000) were granted to Officers, Directors, related company employees and consultants. 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 (2013 - five years), stock price volatility – 97.69% (2013 – 101.62%), no dividend yield (2013 – nil), and a risk-free interest rate yield - 1.51% (2013 – 1.51%). 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, 2014 was $0.50 per option (2013 - $1.30). The total share-based payment expense for the nine months ended September 30, 2014 was $1,038,370 (2013 - $2,214,345), which is presented as an operating expense, and includes only options that vested during the period. The expense has been reduced by $6,346 (2013 – $38,162) for options that were cancelled in the same period as they vested.

During the period 341,000 former related company employee options were cancelled, comprised of 181,000 exercisable at $3.00 per option, 140,000 exercisable at $1.80 per option and 20,000 exercisable at $1.40 per option. As a result of the cancellations, $665,071 has been removed from contributed surplus, with a reduction in deficit of $658,725 for options that had vested in prior years and a reduction of share-based payment expense of $6,346 for options that vested in the current period.

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 is 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 nine months ended September 30, 2014 and the year ended December 31, 2013 is as follows:

	Nine months ended September 30, 2014		Year ended December 31, 2013	
	Warrants #	Weighted average exercise price $	Warrants #	Weighted average exercise price $
Warrants outstanding, beginning of period/year	4,800,000	2.10	2,472,500	4.52
Issued on private placement	1,890,720	2.70	4,800,000	2.10
Expired	(4,800,000)	2.10	(2,472,500)	4.52
Warrants outstanding, end of period/year	**1,890,720**	**2.70**	4,800,000	2.10

The remaining 1,890,720 warrants are exercisable at $2.70 each until March 27, 2015.

8. Share capital (continued)

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, 2013	24,131,040	-	24,131,040
Options vesting	2,214,345	-	2,214,345
Options cancelled	(10,047,687)	-	(10,047,687)
September 30, 2013	**16,297,698**	**-**	**16,297,698**
January 1, 2014	16,486,011	-	16,486,011
Options vesting	1,038,369	-	1,038,369
Options exercised	(131,434)	-	(131,434)
Options cancelled	(665,071)	-	(665,071)
September 30, 2014	**16,727,875**	**-**	**16,727,875**

9. Loss per share

The calculation of basic loss per share for the nine months ended September 30, 2014 was based on the loss attributable to common shareholders of $1,784,689 (2013 - $2,479,418) and a weighted average number of common shares outstanding of 116,250,208 (2013 – 109,953,136).

The calculation of diluted loss per share for the nine months ended September 30, 2014 was based on the loss attributable to common shareholders of $1,784,689 (2013 - $2,479,418), and a weighted average number of common shares outstanding (with no adjustment for the dilutive effects of outstanding options and warrants), of 116,250,208 (2013 – 109,953,136).

As at September 30, 2014, 8,887,000 options (2013 – 7,819,000) and 1,890,720 warrants (2013 – 4,839,000) 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 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 management personnel or Directors, or entities over which they have control or significant influence during the nine months ended September 30, 2014 or 2013.

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.

10. Related party payables and transactions (continued)

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, 2014, 1,200,000 stock options (2013 - 1,750,000) were granted to key management personnel and Directors having a fair value on issue of $599,564 (2013 - $2,266,463). The new options are exercisable at $0.75 each until February 3, 2019 and vest over a one year period ending February 3, 2015.

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, and Robert Carne, who is the Company's President.

(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.

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

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, 2014 $	Transactions 9 months ended September 30, 2013 $	**Balances outstanding September 30, 2014 $**	Balances outstanding December 31, 2013 $
Archer, Cathro				
- geological services	1,533,824	2,333,733	435,522	227,201
- rent and administration	299,904	323,793	75,386	79,829
	1,833,728	2,657,526	510,908	307,030
Yeadon Law Corp.	79,990	52,088	6,854	5,439
Donaldson Grassi	32,500	31,750	9,000	12,500
D. Goss Corporation	31,500	45,000	3,675	5,250
Ian Talbot	31,062	28,656	3,675	2,756
	2,008,780	**2,815,020**	**534,112**	**332,975**

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

11. Income taxes

Income tax (expense) recovery for the nine months ended September 30, 2014 and 2013 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:

	September 30, 2014	September 30, 2013
	$	$
Loss before income taxes	(1,336,679)	(2,723,405)
Statutory Canadian corporate tax rate	26.0%	25.75%
Anticipated income tax recovery	347,537	701,277
Change in tax resulting from:		
Effect of income tax rate change	-	(434,825)
Unrecognized items for tax purposes	(264,540)	(568,957)
Reversal of tax benefits on losses expected to expire	(42,843)	-
Tax benefits recognized on investment tax credits	-	864,367
Tax benefits renounced on flow-through expenditures	(488,164)	(317,875)
Net deferred income tax (expense) recovery	**(448,010)**	243,987

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

	September 30, 2014	December 31, 2013
	$	$
Unrealized losses on marketable securities	51,616	58,712
Mineral property interests	(14,776,147)	(13,850,306)
Unclaimed investment tax credits	872,395	872,395
Non-capital loss carry forwards	2,006,881	1,793,266
Capital loss carry forwards	42,697	39,388
Share issue costs	368,476	389,682
Net deferred income tax liability	**(11,434,082)**	(10,696,863)

As at September 30, 2014 the Company has non-capital loss carry forwards of approximately $7,884,000 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 $6,067,000 thereafter. The losses expiring in 2014 and 2015 are unlikely to be used and have been reversed from deferred income tax benefits in the current period.

As at September 30, 2014 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, 2014 the Company has unclaimed resource and other deductions in the amount of $32,997,546 (December 31, 2013 - $31,907,220), which may be deducted against future taxable income.

As at September 30, 2014 there are share issue costs totaling $1,417,218 (December 31, 2013 - $1,498,777), which have not been claimed for income tax purposes.

As at September 30, 2014 the Company has unused investment tax credits totaling $1,178,912, (December 31, 2013 - $1,178,912), which have not been claimed for income tax purposes. $957,999 of the tax credits expire in 2032 and $220,913 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 nine months ended September 30, 2014 and 2013 were comprised of the following:

	September 30, 2014	September 30, 2013
	$	$
Receivables and prepayments	(85,716)	(910)
Accounts payable and accrued liabilities	(86,145)	(59,218)
Accounts payable to related parties	(7,185)	(34,185)
Net change	**(179,046)**	(94,313)

The Company incurred non-cash financing and investing activities during the nine months ended September 30, 2014 and 2013 as follows:

	September 30, 2014	September 30, 2013
	$	$
Non-cash financing activity:		
Share capital reduced by flow-through share premium	**(831,917)**	-
Non-cash investing activities:		
Marketable securities acquired on optioned mineral property interests	(3,375)	(14,438)
Mineral property option proceeds received by marketable securities	3,375	14,438
Deferred exploration expenditures included in accounts payable and related party payables	625,853	435,719
	625,853	435,719

During the nine months ended September 30, 2014 and 2013 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 September 30, 2014 is comprised of shareholders’ equity of $98,891,983 (December 31, 2013 - $93,832,009).

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.

13. Financial risk management (continued)

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 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, 2014				
Cash and cash equivalents	21,329,654	-	-	21,329,654
Marketable securities	104,785	-	1	104,786
	21,434,439	-	1	21,434,440
December 31, 2013				
Cash and cash equivalents	19,662,908	-	-	19,662,908
Marketable securities	108,766	-	1	108,767
	19,771,674	-	1	19,771,675

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 nine months ended September 30, 2014 every 1% fluctuation in interest rates up or down would have impacted loss for the period, up or down, by approximately $157,000 (2013 - $148,000) before income taxes.

13. Financial risk management (continued)

Financial instruments – risk (continued)

(c) 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, 2014 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 $10,500 (2013 - $12,000) 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. Commitment

Flow-through shares

On March 27, 2014 the Company completed a private placement of flow-through shares for gross proceeds of $6,806,594 (see note 8(a)). A flow-through share premium liability of $831,917 was recorded on the issue. The flow-through funds are required to be spent on qualified exploration programs no later than December 31, 2015. The Company must renounce the expenditures to the flow-through shareholders no later than the effective date of December 31, 2014. If at that time there are unspent funds the Company may use look-back rules permitted by Canadian tax authorities to make the remaining expenditures in 2015. On renouncement the Company gives up its rights to available income tax benefits. Under the look-back rules, effective from March 1, 2015, any unspent flow-through funds are charged a floating rate interest tax, which is currently set at 1% per annum. As at September 30, 2014, the Company has spent approximately $3,544,000 of the flow-through funds on qualified programs. A deferred income tax liability of $921,440 has been accrued for the tax benefits that will be renounced to the flow-through shareholders, and the flow-through share premium liability has been reduced pro-rata by $433,276, with the difference of $488,164 being recorded as a deferred income tax expense.