ATAC Resources Ltd.

Condensed Interim Consolidated Financial Statements

For the three months ended

March 31, 2018

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

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

May 16, 2018

To the Shareholders of
ATAC Resources Ltd.

The attached condensed interim consolidated 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.

Condensed Interim Consolidated Statements of Financial Position

Unaudited – Prepared by Management

	Note	March 31, 2018 $	December 31, 2017 $
Assets			
Current assets			
Cash and cash equivalents	3	13,534,271	13,990,718
Restricted cash	5	878,702	1,385,006
Receivables and prepayments	4,5	328,632	395,516
Marketable securities	6	721,447	1,022,818
		15,463,052	**16,794,058**
Non-current assets			
Prepaid exploration expenditures		29,206	30,105
Mineral property interests	8	105,207,773	104,851,142
Reclamation deposit	9	122,249	121,846
		105,359,228	**105,003,093**
Total assets		**120,822,280**	**121,797,151**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		92,323	182,037
Accounts payable to related parties	12	193,185	92,745
Restricted cash payable	5	878,702	1,385,006
		1,164,210	**1,659,788**
Non-current liabilities			
Deferred income tax liability	13	15,051,687	15,062,259
Total liabilities		**16,215,897**	**16,722,047**
Shareholders' equity			
Share capital	10	124,525,624	124,500,676
Contributed surplus	10	3,180,547	5,621,596
Deficit		(23,099,788)	(25,047,168)
Total shareholders' equity		**104,606,383**	**105,075,104**
Total liabilities and shareholders' equity		**120,822,280**	**121,797,151**

Nature of operations and going concern	1
Commitment	16
Event after reporting period	17

Approved on behalf of the Board of Directors on May 16, 2018:

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

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

For the three months ended March 31, 2018 and March 31, 2017

	Number of shares	Share capital	Contributed surplus	Deficit	Total shareholders' equity
	#	$	$	$	$
January 1, 2017	122,822,077	116,011,508	4,853,086	(20,664,196)	100,200,398
Share-based payments	-	-	45,491	-	45,491
Re-allocated on cancellation of options	-	-	(51,126)	51,126	-
Income and comprehensive income for the period	-	-	-	365,458	365,458
March 31, 2017	**122,822,077**	**116,011,508**	**4,847,451**	**(20,247,612)**	**100,611,347**
January 1, 2018	139,861,877	124,500,676	5,621,596	(25,047,168)	105,075,104
Share-based payments	-	-	153,623	-	153,623
Exercise of options	50,000	15,500	-	-	15,500
Re-allocated on exercise of options	-	9,448	(9,448)	-	-
Re-allocated on cancellation of options	-	-	(2,585,224)	2,585,224	-
Loss and comprehensive loss for the period	-	-	-	(637,844)	(637,844)
March 31, 2018	**139,911,877**	**124,525,624**	**3,180,547**	**(23,099,788)**	**104,606,383**

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

ATAC Resources Ltd.

Condensed Interim Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income
Unaudited – Prepared by Management

For the three months ended March 31, 2018 and March 31, 2017

	Note	**2018** **$**	2017 $
Expenses			
Consulting fees	12	13,500	10,500
Flow-through taxes	16	2,769	275
General administrative expenses		13,129	23,607
Insurance		14,578	11,077
Investor relations and shareholder information		42,145	36,370
Management, administration and corporate development fees	12	30,122	46,648
Office rent	12	10,500	10,500
Professional fees	12	37,105	21,293
Salaries and benefits	12	71,753	60,274
Share-based payments	10	153,623	45,491
Transfer agent and filing fees		5,487	4,733
Loss from operating expenses		**(394,711)**	(270,768)
Project management fees	5	8,865	-
Interest income		38,800	33,166
(Loss) gain on marketable securities	6	(301,371)	706,558
(Loss) income for the period before income taxes		**(648,417)**	468,956
Deferred income tax recovery (expense)	13	10,573	(103,498)
(Loss) income and comprehensive (loss) income for the period		**(637,844)**	365,458
(Loss) earnings per share			
Weighted average number of common shares outstanding			
- basic #	**11**	**139,897,988**	122,822,077
- diluted #	**11**	**139,897,988**	124,517,134
Basic (loss) earnings per share $	**11**	**(0.00)**	0.00
Diluted (loss) earnings per share $	**11**	**(0.00)**	0.00

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

ATAC Resources Ltd.

Condensed Interim Consolidated Statements of Cash Flows

Unaudited – Prepared by Management

For the three months ended March 31,	Note	2018	2017
		$	$
Operating activities			
(Loss) income and comprehensive (loss) income for the period		(637,844)	365,458
Adjustments for:			
Share-based payments		153,623	45,491
Loss (gain) on marketable securities		301,371	(706,558)
Interest income received		(38,800)	(33,166)
Deferred income tax (recovery) expense		(10,573)	103,498
Net change in non-cash working capital items	14	31,794	(38,040)
		(200,429)	(263,317)
Financing activities			
Issue of common shares for cash		15,500	-
		15,500	-
Investing activities			
Interest income received		38,800	33,166
Reclamation deposits		(403)	-
Mineral property acquisition costs		(51,686)	(128,017)
Prepaid exploration expenditures		(19,261)	(8,819)
Deferred exploration and evaluation expenditures		(238,968)	(178,735)
		(271,518)	(282,405)
Decrease in cash and cash equivalents		**(456,447)**	(545,722)
Cash and cash equivalents, beginning of period		**13,990,718**	14,628,414
Cash and cash equivalents, end of period		**13,534,271**	14,082,692

The accompanying notes are an integral part of these condensed interim consolidated 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 condensed interim consolidated financial statements of the Company as at March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017 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 condensed interim consolidated 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 March 31, 2018, the Company had working capital of $14,298,842 (December 31, 2017 - $15,134,270) and shareholders' equity of $104,606,384 (December 31, 2017 - $105,075,104). 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 condensed interim consolidated 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 condensed interim consolidated 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 financial statements for the year ended December 31, 2017, 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 these condensed interim consolidated financial statements be read in conjunction with the annual audited financial statements.

These condensed interim consolidated financial statements have been prepared on an historical cost basis, except for financial instruments, and have been prepared using the accrual basis of accounting, except for cash flow information.

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

(b) Significant accounting policies

Except as set out below, the accounting policies, estimates and critical judgments, methods of computation and presentation applied in these condensed interim consolidated financial statements are consistent with those of the most recent annual audited financial statements and are those the Company expects to adopt in its financial statements for the year ended December 31, 2018. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company's most recent annual audited financial statements.

2. Significant accounting policies (continued)

(c) New accounting policy

The Company has adopted new accounting standard *IFRS 9 - Financial Instruments*, effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 9 did not result in any changes to the classification, measurement or carrying amounts of the Company's existing financial instruments on transition date.

The new standard brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace *IAS 39 - Financial instruments: recognition and measurement*. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value.

The Company continues to classify and measure its financial instruments at fair value through profit or loss with changes in fair value recognized in profit or loss as they arise ("FVTPL"), unless restrictive criteria regarding the objective and contractual cash flows of the instrument are met for classifying and measuring at either amortized cost or fair value through other comprehensive income.

Cash and cash equivalents, marketable securities and trade receivables continue to be recorded at FVTPL and other receivables and loans, initially at FVTPL, and subsequently at amortized cost using the effective interest rate method. Trade and other payables are classified and measured as financial liabilities, initially at FVTPL, and subsequently at amortized cost using the effective interest rate method.

(d) 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, 2019. Many of these updates are not applicable or consequential to the Company and have been excluded from the discussion below.

Effective for annual periods beginning on or after January 1, 2019.

- New standard IFRS 16 - *Leases*

  IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17, Leases. It is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

  The Company has no leases and has initially assessed that there will be no material reporting changes as a result of adopting the new standard.

- New Interpretation IFRIC 23 - *Uncertainty over Income Tax Treatments*

  On June 7, 2017, the IASB issued IFRIC Interpretation 23 - *Uncertainty over Income Tax Treatments*. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. The Company has not yet determined the extent of the impact of adoption of the Interpretation.

3. Cash and cash equivalents

Cash and cash equivalents consists of the following:

	March 31, 2018 $	**December 31, 2017 $**
Bank and broker balances	1,012,700	1,503,244
Cashable investment certificates	12,521,571	12,487,474
	13,534,271	**13,990,718**

4. Receivables and prepayments

Receivables and prepayments consists of the following:

	March 31, 2018 $	December 31, 2017 $
Sales tax recoverable	23,314	21,379
Prepaid expenses	144,606	86,683
JVEI property receivables (note 5)	160,712	256,053
Yukon mineral exploration grant receivable	-	31,401
	328,632	**395,516**

5. JVEI property receivables and restricted cash

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. For the three months ended March 31, 2018, the Company has earned $8,865 (2017 - $Nil) in management fees, which are reflected as income on the statement of loss.

The Company maintains a JVEI bank account to receive cash advances from Barrick to pay for the exploration amounts as incurred. Barrick is considered to be a farmee with expenditures ultimately directed by Barrick. During 2017 the Company received advance exploration funds of $4,955,552 and expended $3,570,546 on behalf of Barrick on property expenditures. Additional expenditures of $506,304 have been incurred during the three-month period ended March 31, 2018, leaving a balance of Barrick funds on hand of $878,702 (December 31, 2017 - $1,385,006). No advances have been received towards the 2018 exploration program. The Barrick funds have been recorded as restricted cash with an off-setting restricted cash payable for the same amount.

As at March 31, 2018, the Company is owed $160,712 (December 31, 2017 - $256,053) from Barrick and owes $Nil (December 31, 2017 - $111,718) to suppliers related to the JVEI property expenditures.

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
	$	$	$	$	$
Cost					
January 1, 2017	1,691,834	10,000	475,000	2,176,834	
Additions/disposals	-	-	-	-	
March 31, 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	509,396	-	197,162	706,558	706,558
March 31, 2017	1,605,223	1	570,500	2,175,724	706,558
Cost					
January 1, 2018	1,691,834	-	475,000	2,166,834	
Additions/disposals	-	-	-	-	
March 31, 2018	1,691,834	-	475,000	2,166,834	
Fair value					
January 1, 2017	788,002	-	234,816	1,022,818	
Unrealized loss	(214,309)	-	(87,062)	(301,371)	(301,371)
March 31, 2018	**573,693**	**-**	**147,754**	**721,447**	**(301,371)**

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 were 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. During 2017, the Company 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 March 31, 2018, neither of the subsidiaries have had any transactions other than to issue nominal $1 share capital to the Company.

The head offices and records offices of the subsidiaries are the same as the Company, as detailed in note 1.

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 $	Total $
January 1, 2017	96,985,836	96,985,836
Acquisitions/staking/assessments	128,017	128,017
Exploration and evaluation	326,222	326,222
March 31, 2017	**97,440,075**	**97,440,075**
January 1, 2018	104,851,142	104,851,142
Acquisitions/staking/assessments	51,686	51,686
Exploration and evaluation	304,945	304,945
March 31, 2018	**105,207,773**	**105,207,773**

Changes in the project carrying amounts for the three months ended March 31, 2017 and March 31, 2018 are summarized as follows:

Three months ended March 31, 2017

	January 1, 2017 $	Acquisitions / staking / assessments $	Exploration and evaluation $	March 31, 2017 $
Wholly-owned projects				
Rackla Gold property				
- Osiris and Orion (1)	61,843,223	126,391	245,579	62,215,193
- Rau	34,927,893	-	68,293	34,996,186
	96,771,116	**126,391**	**313,872**	**97,211,379**
Connaught	106,269	-	-	106,269
Idaho Creek	19,490	-	-	19,490
Panorama	16,110	-	-	16,110
Rosy	72,851	1,626	12,350	86,827
Total	**96,985,836**	**128,017**	**326,222**	**97,440,075**

(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:

For the three months ended March 31, 2017	Osiris and Orion $	Rau $	Others $	Total $
Assays	3,762	1,881	-	5,643
Field	13,569	1,005	17	14,592
Labour	127,074	60,260	12,333	199,667
Resource, engineering and environmental studies	-	2,528	-	2,528
Survey and consulting	100,000	-	-	100,000
Travel and accommodation	1,174	2,618	-	3,792
Total	**245,579**	**68,293**	**12,350**	**326,222**

Three months ended March 31, 2018

	January 1, 2018 $	Acquisitions / staking / assessments $	Exploration and evaluation $	March 31, 2018 $
Wholly-owned projects				
Rackla Gold property				
- Osiris and Orion (1)	68,420,525	32,701	225,300	68,678,526
- Rau	36,048,583	17,629	66,775	36,132,987
	104,469,108	**50,330**	**292,075**	**104,811,513**
Connaught	148,300	1,356	5,606	155,262
Idaho Creek	19,490	-	-	19,490
Panorama	16,110	-	-	16,110
Rosy	198,134	-	7,264	205,398
Total	**104,851,142**	**51,686**	**304,945**	**105,207,773**

(1) The current period expenditures include only amounts spent by the Company on its Osiris project and excludes any amounts spend on behalf of Barrick on the Orion project.

8. Mineral property interests (continued)

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

Three months ended March 31, 2018	Osiris $	Rau $	Others $	Total $
Assays	8,125	2,458	403	10,986
Field	21,462	4,224	69	25,755
Helicopter and fixed wing	625	-	-	625
Labour	125,877	19,381	12,161	157,419
Resource, engineering and enviromental studies	64,571	29,074	-	93,645
Surveys and consulting	2,757	11,576	-	14,333
Travel and accommodation	1,883	62	237	2,182
Total	**225,300**	**66,775**	**12,870**	**304,945**

(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, being 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

As at March 31, 2018, Barrick incurred approximately $4,076,000 (December 31, 2017 - $3,570,000) of the guaranteed amount (note 5).

8. Mineral property interests (continued)

(a) Wholly-owned projects (continued)

(i) Rackla Gold property (continued)

Should Barrick withdraw 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 ("NSR") on gold.

During the year ended December 31, 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. Barrick became the ultimate owner of the shares, which increased their 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.

(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% 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.

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

8. Mineral property interests (continued)

(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 Districts, 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 the three months ended March 31, 2018:

The Company issued 50,000 common shares on the exercise of options for proceeds of $15,500. In addition, $9,448 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 three months ended March 31, 2017:

There were no transactions for the issue of share capital during the three months ended March 31, 2017.

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 March 31, 2018, there were 139,911,877 rights outstanding (December 31, 2017 – 139,861,877).

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 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.

10. Share capital (continued)

A summary of the status of the Company's stock options as at March 31, 2018 and December 31, 2017 and changes during the period and year ended is as follows:

	Three months ended March 31, 2018		Year ended December 31, 2017	
	Options	Weighted average exercise	Options	Weighted average exercise price
	#	$	#	$
Options outstanding, beginning of period/year	11,170,000	0.79	8,500,000	0.85
Granted	3,415,000	0.55	3,115,000	0.55
Exercised	(50,000)	0.31	(355,000)	0.31
Expired/cancelled	(2,165,000)	1.64	(90,000)	0.87
Options outstanding, end of period/year	**12,370,000**	**0.57**	11,170,000	**0.79**

As at March 31, 2018, the Company has stock options outstanding and exercisable as follows:

	Options outstanding	Options exercisable	Exercise price	Expiry date
	#	#	$	
(1)	1,980,000	1,980,000	0.75	February 3, 2019
(2)	1,600,000	1,600,000	0.75	January 23, 2020
	2,010,000	2,010,000	0.31	January 21, 2021
	250,000	250,000	0.76	June 7, 2021
(3)	3,115,000	2,336,250	0.55	May 26, 2022
	3,165,000	-	0.55	February 1, 2023
	250,000	-	0.53	March 1, 2023
	12,370,000	**8,176,250**		

(1) 75,000 of these options expired unexercised on May 10, 2018 for a related company employee leaving employment.

(2) 50,000 of these options expired unexercisedon May 10, 2018 for a related company employee leaving employment.

(3) 150,000 of these options expired unexercised on May 10, 2018 for a related company employee leaving employment.

10. Share capital (continued)

Stock options (continued)

The following table summarizes information about the stock options outstanding at March 31, 2018:

Range of prices $	Options #	Weighted average remaining life years	Weighted average exercise price $
0.31 - 0.55	8,540,000	4.12	0.49
0.75 - 0.76	3,830,000	1.40	0.75
	12,370,000	**3.28**	**0.57**

During the three months ended March 31, 2018, 3,415,000 stock options were granted to Officers, Directors, related company employees and consultants. The Company has recorded the fair value of all options granted 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, stock price volatility –78.61%, no dividend yield, and a risk-free interest rate yield – 2.12%. The fair value is particularly impacted by the Company's stock price volatility, determined using data from the previous five years. No stock options were granted during the three months ended March 31, 2017.

Using the above assumptions, the fair value weighted average of options granted during the three months ended March 31, 2018, was $0.34 per option, for a total of $1,146,541. The total share-based payment expense for the three months ended March 31, 2018 was $153,623 (2017 - $45,491), which is presented as an operating expense, and includes only options that vested during the periods.

During the three months ended March 31, 2018, 1,830,000 options (March 31, 2017 – nil), expired unexercised. As a result, the original stock based compensation of $2,427,036 was reversed from contributed surplus and credited to deficit.

During the three months ended March 31, 2018, 335,000 stock options (2017 – 90,000), were cancelled. As a result, the original stock based compensation of $158,188 (2017 - $51,126) 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 three months ended March 31, 2018 and 2017 and as at March 31, 2018 and December 31, 2017, 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) earnings per share

The calculation of basic and diluted (loss) earnings per share for the three months ended March 31, 2018 was based on the (loss) earnings of ($637,844) (2017 - $365,458) and a weighted average number of common shares outstanding of 139,897,988 (2017 – 122,822,077)

As at March 31, 2018, all stock options were excluded from the diluted weighted average number of shares calculation, as their effect would have been anti-dilutive. The calculation of diluted earnings per share for the three months ended March 31, 2017 was based on income of $365,458, and weighted average number of common shares outstanding 124,517,134, calculated as follows:

	March 31, 2018	March 31, 2017
	#	#
Weighted average number of common shares (basic)	139,897,988	122,822,077
Effect of stock options on issue	-	1,695,057
Weighted average number of common shares (diluted)	139,897,988	124,517,134

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 three months ended March 31, 2018 or March 31, 2017.

Graham Downs, the Company's President and CEO and Matthew Keevil, the Company's Vice-president of Corporate Affairs, receive monthly salaries 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 three months ended March 31, 2018, 2,850,000 stock options (2017 – nil) were granted to key management personnel and Directors having a fair value on issue of $1,040,691 (2017 - $nil). The options granted are exercisable at $0.55 and $0.53 until February 1, 2023 and March 1, 2023, and vest over one-year periods ending February 1, 2019 and March 1, 2019.

During the three months ended March 31, 2018, 1,600,000 management personnel and Director stock options having a fair value on issue of $2,152,287, were surrendered and cancelled. No management personnel or Director stock options were cancelled or surrendered during the three months ended March 31, 2017.

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 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.

12. Related party payables and transactions (continued)

(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. 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.

(i) Matthew Keevil is the Company's Vice-president of Corporate Affairs. Effective March 1, 2018, he is paid a monthly salary and benefits for his 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 3 months ended March 31, 2018 $	Transactions 3 months ended March 31, 2017 $	**Balance outstanding March 31, 2018 $**	Balance outstanding December 31, 2017 $
Archer, Cathro				
- geological services	173,950	212,579	130,125	48,941
- office and administration	29,482	46,183	16,935	14,121
	203,432	258,762	147,060	63,062
Carvest	1,160	-	-	-
Yeadon Law Corp.	16,173	13,253	16,725	5,561
Donaldson Grassi	13,500	8,750	29,400	15,000
D. Goss Corporation	10,500	10,500	-	3,675
Graham Downs	60,130	60,274	-	-
Ian Talbot	10,500	10,500	-	2,297
Kenway Mack	3,000	-	-	3,150
Matthew Keevil	11,623	-	-	-
	330,018	362,039	**193,185**	92,745

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) 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.

(b) Management, administration and corporate development fees
- Includes the services of Company's COO, Ian Talbot.
- Includes charges by Archer Cathro for administrative and investor relations personnel.

12. Related party payables and transactions (continued)

(c) Salaries and benefits
- Includes the salaries and benefits of the Company's President and CEO, Graham Downs and Vice-president of Corporate Affairs, Matthew Keevil.

(d) Office rent
- Charged by Archer Cathro

(e) Professional fees
- 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.

13. Income Taxes

Income tax recovery (expense) for the three months ended March 31, 2018 and 2017 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:

	March 31, 2018 **$**	March 31, 2017 $
(Loss) income before income taxes	(648,417)	468,956
Statutory Canadian corporate tax rate	27.0%	26.0%
Anticipated income tax recovery (expense)	175,073	(121,930)
Change in tax resulting from:		
Unrecognized items for tax purposes	(82,165)	80,025
Tax benefits renounced on flow-through expenditures	(82,335)	(61,593)
Net deferred income tax recovery (expense)	10,573	(103,498)

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

	March 31, 2018 **$**	December 31, 2017 $
Unrealized losses on marketable securities	195,127	154,442
Mineral property interests	(19,167,979)	(19,085,190)
Unclaimed investment tax credits	860,606	860,606
Non-capital loss carry forwards	2,953,096	2,889,446
Capital loss carry forwards	44,369	44,369
Share issue costs	63,094	74,068
Net deferred income tax liability	**(15,051,687)**	(15,062,259)

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

13. Income Taxes (continued)

As at March 31, 2018 the Company has non-capital loss carry forwards of approximately $10,937,000 of which $7,000 will expire in 2028, $471,000 in 2029, $1,175,000 in 2030, $1,666,000 in 2031 and $7,619,000 thereafter.

As at March 31, 2018 the Company has unused capital losses of $328,659, which have no expiry date and can only be used to reduce future income from capital gains.

As at March 31, 2018 the Company has unclaimed resource and other deductions in the amount of $34,215,259 (December 31, 2017 - $34,165,254), which may be deducted against future taxable income.

As at March 31, 2018 there are share issue costs totaling $233,687 (December 31, 2017 - $274,324), which have not been claimed for income tax purposes.

As at March 31, 2018 the Company has unused investment tax credits totaling $1,178,912, (December 31, 2017 - $1,178,912), which have not been claimed for income tax purposes. The credits expire $957,999 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 three months ended March 31, 2018 and March 31, 2017 were comprised of the following:

	March 31, 2018	March 31, 2017
	$	$
Receivables and prepayments	(59,858)	(47,219)
JVEI property receivables	95,341	-
Accounts payable and accrued liabilities	(22,946)	(19,001)
Accounts payable to related parties	19,257	28,180
Net change	**31,794**	(38,040)

The Company incurred non-cash financing and investing activities during the periods ended March 31, 2018 and March 31, 2017 as follows:

	March 31, 2018	March 31, 2017
	$	$
Non-cash financing activity		
Restricted cash payable	**506,304**	-
Non-cash investing activity		
Deferred exploration expenditures included in accounts payable and related party payables	**166,731**	246,524

During the periods ended March 31, 2018 and March 31, 2017 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 March 31, 2018 is comprised of shareholders' equity of $104,606,383 (December 31, 2017 - $105,075,104).

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.

Financial instruments - fair value

The Company's financial instruments consist of cash and cash equivalents, receivables, marketable securities, reclamation deposit, 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
	$	$	$	$
March 31, 2018				
Cash and cash equivalents	13,534,271	-	-	13,534,271
Restricted cash	878,702	-	-	878,702
Marketable securities	573,693	147,754	-	721,447
	14,986,666	**147,754**	**-**	**15,134,420**
December 31, 2017				
Cash and cash equivalents	13,990,718	-	-	13,990,718
Restricted cash	1,385,006	-	-	1,385,006
Marketable securities	788,002	234,816	-	1,022,818
	16,163,726	234,816	-	16,398,542

15. Financial risk management (continued)

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, and its JVEI property receivables are secured by restricted cash held by the Company.

(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 three months ended March 31, 2018, every 1% fluctuation in interest rates up or down would have impacted loss for the period, up or down, by approximately $35,000 (2017 - $35,000) 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.

(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 March 31, 2018 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 $72,000 (2017 - $218,000) before income taxes.

16. Commitment

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. The expenditures and available income tax benefits were renounced to the flow-through shareholders effective December 31, 2017. Approximately $7,360,000 of the funds had been spent as at March 31, 2018.

Under the look-back rules the Company has until December 31, 2018 to spend the remaining $982,400 of flow-through funds. Amounts spent after February 1, 2018 are subject to a floating rate interest tax, which is currently set at 1% per annum.

17. Event after the reporting period

On May 9, 2018, the Company announced a non-brokered private placement offering of up to $3,000,000, to consist of the sale of up to 5,000,000 flow-through shares at a price of $0.60 per share. The offering is subject to TSX-V acceptance.