ATAC Resources Ltd.

Condensed Interim Consolidated Financial Statements

For the nine months ended

September 30, 2018

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

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

November 13, 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	**September 30, 2018** **$**	December 31, 2017 $
Assets			
Current assets			
Cash and cash equivalents	3	9,431,120	13,990,718
Restricted cash	5	79,587	1,385,006
Receivables and prepayments	4,5	2,796,693	395,516
Marketable securities	6	473,935	1,022,818
		12,781,335	16,794,058
Non-current assets			
Prepaid exploration expenditures		19,106	30,105
Mineral property interests	8	111,380,228	104,851,142
Reclamation deposit	9	123,285	121,846
		111,522,619	105,003,093
Total assets		**124,303,954**	121,797,151
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		550,245	182,037
Accounts payable to related parties	12	374,715	92,745
Restricted cash payable	5	79,587	1,385,006
		1,004,547	1,659,788
Non-current liabilities			
Deferred income tax liability	13	16,325,426	15,062,259
Total liabilities		**17,329,973**	16,722,047
Shareholders' equity			
Share capital	10	128,654,319	124,500,676
Contributed surplus	10	4,093,021	5,621,596
Deficit		(25,773,359)	(25,047,168)
Total shareholders' equity		**106,973,981**	105,075,104
Total liabilities and shareholders' equity		**124,303,954**	121,797,151
Nature of operations and going concern	1		
Commitment	16		

Approved on behalf of the Board of Directors on November 13, 2018:

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

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

ATAC Resources Ltd.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

Unaudited – Prepared by Management

For the nine months ended September 30, 2018 and September 30, 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	-	-	601,416	-	601,416
Exercise of options	125,000	38,750	-	-	38,750
Re-allocated on exercise of options	-	23,620	(23,620)	-	-
Re-allocated on cancellation of options	-	-	(51,125)	51,125	-
Private placement shares issued	16,684,800	8,342,400	-	-	8,342,400
Share issue costs	-	(30,778)	-	-	(30,778)
Loss and comprehensive loss for the period	-	-	-	(2,522,800)	(2,522,800)
September 30, 2017	139,631,877	124,385,500	5,379,757	(23,135,871)	106,629,386
January 1, 2018	139,861,877	124,500,676	5,621,596	(25,047,168)	105,075,104
Shares issued for mineral property interest	60,000	30,000	-	-	30,000
Share-based payments	-	-	1,116,571	-	1,116,571
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	-	-	(2,697,198)	2,697,198	-
Private placement shares issued	7,556,700	4,534,020	-	-	4,534,020
Flow-through premium liability	-	(151,134)	-	-	(151,134)
Share issue costs	-	(284,191)	61,500	-	(222,691)
Loss and comprehensive loss for the period	-	-	-	(3,423,389)	(3,423,389)
September 30, 2018	**147,528,577**	**128,654,319**	**4,093,021**	**(25,773,359)**	**106,973,981**

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

ATAC Resources Ltd.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management

For the three and nine months ended September 30,

		Three months ended		Nine months ended	
		September 30, 2018	September 30, 2017	**September 30, 2018**	September 30, 2017
	Note	**$**	$	**$**	$
Expenses					
Consulting fees	12	13,500	13,500	40,500	37,500
Flow-through taxes	16	-	-	2,769	1,072
General administrative expenses		9,055	17,393	52,602	73,784
Insurance		14,578	11,077	43,733	33,232
Investor relations and shareholder information		77,168	61,520	213,933	161,675
Management, administration and corporate development fees	12	20,064	40,885	63,731	134,196
Office rent	12	10,500	10,500	31,500	31,500
Professional fees	12	21,558	24,510	84,113	132,854
Property examination costs		-	-	-	145
Salaries and benefits	12	89,500	56,250	252,412	172,616
Share-based payments	10	310,522	548,653	1,116,571	601,416
Transfer agent and filing fees		6,196	5,010	17,432	15,482
Loss from operating expenses		**(572,641)**	(789,298)	**(1,919,296)**	(1,395,472)
Project management fees	5	-	68,694	100,000	100,000
Interest income		49,261	47,076	139,187	128,520
(Loss) gain on marketable securities	6	(331,336)	(233,170)	(548,883)	445,994
Loss for the period before income taxes		**(854,716)**	(906,698)	**(2,228,992)**	(720,958)
Deferred income tax expense	13	(635,269)	(1,221,454)	(1,194,397)	(1,801,842)
Loss and comprehensive loss for the period		**(1,489,985)**	(2,128,152)	**(3,423,389)**	(2,522,800)
Loss per share					
Weighted average number of common shares outstanding					
- basic #	**11**	**147,488,142**	139,590,210	**143,456,960**	130,276,433
- diluted #	**11**	**147,488,142**	139,590,210	**143,456,960**	130,276,433
Basic loss per share $	**11**	**(0.01)**	(0.02)	**(0.02)**	(0.02)
Diluted loss per share $	**11**	**(0.01)**	(0.02)	**(0.02)**	(0.02)

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

Condensed Interim Consolidated Statements of Cash Flows

Unaudited – Prepared by Management

For the nine months ended September 30,	Note	**2018**	2017
		$	$
Operating activities			
Loss and comprehensive loss for the period		(3,423,389)	(2,522,800)
Adjustments for:			
Share-based payments		1,116,571	601,416
Loss (gain) on marketable securities		548,883	(445,994)
Interest income		(139,187)	(128,520)
Deferred income tax expense		1,194,397	1,801,842
Net change in non-cash working capital items	14	(2,055,957)	(2,209,112)
		(2,758,682)	(2,903,168)
Financing activities			
Issue of common shares for cash		4,549,520	8,381,150
Share issue costs		(305,056)	(41,592)
		4,244,464	8,339,558
Investing activities			
Interest income received		139,187	128,520
Reclamation deposits		(1,439)	(121,434)
Yukon mining exploration grant received		31,401	6,143
Mineral property acquisition costs		(51,686)	(99,835)
Prepaid exploration expenditures		(39,114)	(40,297)
Deferred exploration and evaluation expenditures		(6,123,729)	(5,438,918)
		(6,045,380)	(5,565,821)
Decrease in cash and cash equivalents		**(4,559,598)**	(129,431)
Cash and cash equivalents, beginning of period		**13,990,718**	14,628,414
Cash and cash equivalents, end of period		**9,431,120**	14,498,983
Supplemental cash flow information	14		

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") 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 September 30, 2018 and December 31, 2017 and for the nine months ended September 30, 2018 and September 30, 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 September 30, 2018, the Company had working capital of $11,776,788 (December 31, 2017 - $15,134,270) and shareholders' equity of $106,973,981 (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 does not have any 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:

	September 30, 2018	December 31, 2017
	$	$
Bank and broker balances	274,292	1,503,244
Cashable investment certificates	9,156,828	12,487,474
	9,431,120	13,990,718

4. Receivables and prepayments

Receivables and prepayments consists of the following:

	September 30, 2018	December 31, 2017
	$	$
Sales tax recoverable	193,245	21,379
Prepaid expenses	36,202	86,683
JVEI property receivables (note 5)	2,561,996	256,053
Other receivable	5,250	-
Yukon mineral exploration grant receivable	-	31,401
	2,796,693	395,516

5. JVEI property receivables and restricted cash

On April 7, 2017 (and as amended on October 3, 2018), 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 nine months ended September 30, 2018, the Company has earned the maximum $100,000 (2017 - $100,000) in management fees, which are reflected as income on the statement of loss and comprehensive 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 the year ended December 31, 2017, the Company received advance exploration funds of $4,955,552 and during the nine months ended September 30, 2018, an additional $3,000,000 was received from Barrick towards the 2018 exploration program. The Company expended $3,570,546 on behalf of Barrick on property expenditures during the year ended December 31, 2017 and additional funds of $4,305,419 have been spent during the nine months ended September 30, 2018, leaving a balance of Barrick funds on hand of $79,587 (December 31, 2017 - $1,385,006). The Barrick funds have been recorded as restricted cash with an off-setting restricted cash payable for the same amount.

As at September 30, 2018, the Company is also owed $2,561,996 (December 31, 2017 - $256,053) from Barrick in relation to additional exploration expenditures incurred by the Company on Barrick's behalf and owes $535,949 (December 31, 2017 - $111,718) to suppliers and related parties in connection with the JVEI property expenditures. The amounts owing from Barrick are in addition to the exploration expenditures incurred against Barrick advances received as detailed above.

As at September 30, 2018, total amounts incurred since inception of the JVEI on behalf of Barrick, including amounts receivable, total $10,437,000, which includes recoverable GST of $497,000, for net exploration expenditures of $9,940,000.

6. Marketable securities

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

	Shares with an active market	Shares without an active market	Warrants	Total	Total gain (loss)
	$	$	$	$	$
Cost					
January 1, 2017	1,691,834	10,000	475,000	2,176,834	
Additions/disposals	-	-	-	-	
September 30, 2017	1,691,834	10,000	475,000	2,176,834	
Fair value					
January 1, 2017	1,095,827	1	373,338	1,469,166	
Unrealized gain	336,116	-	109,878	445,994	445,994
September 30, 2017	1,431,943	1	483,216	1,915,160	445,994
Cost					
January 1, 2018	1,691,834	-	475,000	2,166,834	
Additions/disposals	-	-	-	-	
September 30, 2018	**1,691,834**	**-**	**475,000**	**2,166,834**	
Fair value					
January 1, 2018	788,002	-	234,816	1,022,818	
Unrealized loss	(407,286)	-	(141,597)	(548,883)	(548,883)
September 30, 2018	**380,716**	**-**	**93,219**	**473,935**	**(548,883)**

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 the year ended December 31, 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 September 30, 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 other interests and royalties. Properties which are in close proximity and could be developed as a single economic unit are grouped into projects.

	Wholly-owned $	Other interests $	Total $
January 1, 2017	96,985,836	-	96,985,836
Acquisitions/staking/assessments	99,835	-	99,835
Exploration and evaluation	7,547,132	-	7,547,132
September 30, 2017	**104,632,803**	**-**	**104,632,803**
January 1, 2018	104,851,142	-	104,851,142
Acquisitions/staking/assessments	81,686	-	81,686
Exploration and evaluation	6,447,400	-	6,447,400
September 30, 2018	**111,380,228**	**-**	**111,380,228**

Changes in the project carrying amounts for the nine months ended September 30, 2017 and September 30, 2018 are summarized as follows:

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

(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 nine months ended September 30, 2017	Osiris and Orion $	Rau $	Others $	Total $
Assays	154,883	49,508	29,039	233,430
Drilling	1,943,250	273,891	-	2,217,141
Field	671,713	141,462	14,289	827,464
Helicopter and fixed wing	1,578,097	234,029	21,810	1,833,936
Labour	1,366,306	247,211	67,854	1,681,371
Resource, engineering and environmental studies	27,917	3,903	-	31,820
Surveys and consulting	261,726	70,675	1,160	333,561
Travel and accommodation	365,814	45,483	8,513	419,810
	6,369,706	1,066,162	142,665	7,578,533
Less: Yukon mineral exploration grant	-	-	(31,401)	(31,401)
Total	6,369,706	1,066,162	111,264	7,547,132

Nine months ended September 30, 2018

	January 1, 2018 $	Acquisitions / staking / assessments $	Exploration and evaluation $	September 30, 2018 $
Wholly-owned projects				
Rackla Gold property				
- Osiris and Orion (1)	68,420,525	32,701	6,074,308	74,527,534
- Rau	36,048,583	17,629	355,525	36,421,737
	104,469,108	**50,330**	**6,429,833**	**110,949,271**
Connaught	148,300	31,356	8,984	188,640
Idaho Creek	19,490	-	-	19,490
Panorama	16,110	-	-	16,110
Rosy	198,134	-	8,583	206,717
Total	**104,851,142**	**81,686**	**6,447,400**	**111,380,228**

(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:

Nine months ended September 30, 2018	Osiris $	Rau $	Others $	Total $
Assays	132,977	24,560	403	157,940
Drilling	1,402,553	-	-	1,402,553
Field	725,487	32,538	338	758,363
Helicopter and fixed wing	1,686,039	85,717	-	1,771,756
Labour	1,322,806	118,110	16,590	1,457,506
Resource, engineering and enviromental studies	153,524	65,630	-	219,154
Surveys and consulting	229,547	14,387	-	243,934
Travel and accommodation	421,375	14,583	236	436,194
Total	**6,074,308**	**355,525**	**17,567**	**6,447,400**

(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 September 30, 2018, Barrick had incurred approximately $9,940,000 (December 31, 2017 - $3,570,000) of the guaranteed amount (note 5), exclusive of recoverable GST.

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 (note 10).

(ii) Connaught project

The Connaught project consists of a 100% interest in the CN, NC, OM and TN 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.

The TN claims were acquired in August 2018 through the issuance of 60,000 common shares with a fair value of $30,000 (note 10). The vendor retains a 1% NSR on the claims.

(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.

Transactions for the issue of share capital during the nine months ended September 30, 2018:

The Company issued 60,000 common shares at a price of $0.50 per share for total consideration of $30,000. The shares were issued to acquire the TN claims (note 8(a)(ii)), that form part of the Company's Connaught project.

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.

On May 25, 2018, the Company completed a flow-through private placement consisting of the issue of 7,556,700 flow-through common shares at a price of $0.60 each for gross proceeds of $4,534,020. The flow-through shares were issued at a premium to the trading value of the Company's common shares, which is a reflection of the value of the income tax write-offs that the Company will renounce to the flow-through shareholders. The premium was determined to be $151,134 and has been recorded as a reduction of share capital. An equivalent flow-through share premium liability was recorded which was being reversed pro-rata as the required exploration expenditures were incurred (see note 16).

Finders' fees totaling $328,885 were incurred in respect of the placement, including the issue of 437,441 finders' warrants having a fair value of $61,500. Legal and filing fees amounted to $37,670 and have been included with the finders' fees and recorded as a share issue cost and deducted from share capital net of deferred income tax benefits of $82,365.

As discussed below, Barrick had the right to participate in the financing to maintain its 19.9% interest in the Company but opted not to participate.

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

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

On May 3, 2017, the Company completed a flow-through private placement consisting of the issue of 16,684,800 flow-through common shares at a price of $0.50 each for gross proceeds of $8,342,400. No flow-through premium was recognized in connection with the financing. The flow-through shares formed part of a tax-assisted structured transaction, with Barrick becoming the ultimate owner. This increased Barrick's shareholdings in the Company to approximately 19.9% from 9.2%, and Barrick was given the right to maintain its 19.9% interest by participating pro-rata in any future equity financings by the Company. The flow-through funds were spent on properties other than the Orion project.

10. Share capital (continued)

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

Common share rights

The Company has a "Rights Plan" under which one right is issued for each issued and outstanding common share of the Company. Each right entitles the holder to purchase from the Company one common share at a price equal to one-half the market price for each common share of the Company, subject to certain anti-dilutive adjustments. The rights are exercisable only if the Company receives an unacceptable take-over bid as defined in the Rights Plan. The current Rights Plan was replaced with a new Rights Plan at the May 2017 annual shareholders' meeting and will remain in effect until the annual shareholders' meeting in 2020. As at September 30, 2018, there were 147,528,577 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, or the date of grant in respect of options granted to consultants, less a discount of from 15% to 25%), , unless otherwise agreed to by the Company and accepted by the TSX-V.

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

A summary of the status of the Company's stock options as at September 30, 2018 and December 31, 2017 and changes during the period and year ended is as follows:

	Nine months ended September 30, 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	(2,485,000)	1.51	(90,000)	0.87
Options outstanding, end of period/year	**12,050,000**	**0.57**	11,170,000	0.79

10. Share capital (continued)

Stock options (continued)

As at September 30, 2018, the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price $	Expiry date
1,905,000	1,905,000	0.75	February 3, 2019
1,550,000	1,550,000	0.75	January 23, 2020
1,990,000	1,990,000	0.31	January 21, 2021
250,000	250,000	0.76	June 7, 2021
2,940,000	2,940,000	0.55	May 26, 2022
3,165,000	1,582,500	0.55	February 1, 2023
250,000	125,000	0.53	March 1, 2023
12,050,000	**10,342,500**		

The following table summarizes information about the stock options outstanding at September 30, 2018:

Range of prices $	Options #	Weighted average remaining life years	Weighted average exercise price $
0.31 - 0.55	8,345,000	3.62	0.49
0.75 - 0.76	3,705,000	0.91	0.75
	12,050,000	**2.79**	**0.57**

During the nine months ended September 30, 2018, 3,415,000 stock options (2017 – 3,115,000) 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 (2017 – five years), stock price volatility – 78.61% (2017 – 71.49%), no dividend yield (2017 – nil), and a risk-free interest rate yield – 2.12% (2017 - 0.94%). 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 weighted average of options granted during the nine months ended September 30, 2018, was $0.34 per option (2017 – $0.34), for a total of $1,146,541 (2017 - $1,053,412). The total share-based payment expense for the nine months ended September 30, 2018 was $1,116,571 (2017 - $601,416), which is presented as an operating expense, and includes only options that vested during the periods.

During the nine months ended September 30, 2018, 1,830,000 options (2017 – nil), expired unexercised. As a result, the original share-based payments expense of $2,427,036 (2017 - $nil) was reversed from contributed surplus and credited to deficit.

During the nine months ended September 30, 2018, 655,000 stock options (2017 – 90,000), were cancelled. As a result, the original share-based payments expense of $270,162 (2017 - $51,125) has been reversed from contributed surplus and credited to deficit.

10. Share capital (continued)

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.

Finders' warrants may be issued as a private placement share issue cost and are valued using the Black-Scholes option pricing model. During the nine months ended September 30, 2018, the Company granted 437,441 finders' warrants in connection with a flow-through financing completed. The value of the warrants was determined to be $61,500 using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of warrants - one year, stock price volatility – 62.38%, no dividend yield, and a risk-free interest rate yield – 1.92%.

A summary of the status of the Company's warrants as at September 30, 2018 and December 31, 2017 and changes during the period and year then ended is as follows:

	Nine months ended September 30, 2018		Year ended December 31, 2017	
	Warrants #	Exercise price $	Warrants #	Exercise price $
Warrants outstanding, beginning of period/year	-	-	-	-
Granted	437,441	0.60	-	-
Warrants outstanding, end of period/year	**437,441**	**0.60**	-	-

As at September 30, 2018, the Company has 437,441 warrants outstanding, exercisable at $0.60 for a period expiring May 25, 2019.

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 nine months ended September 30, 2018 was based on the loss of $3,423,389 (2017 - $2,522,800) and a weighted average number of common shares outstanding of 143,456,960 (2017 – 130,276,433)

As at September 30, 2018 and September 30, 2017, all stock options and warrants were excluded from the diluted weighted average number of shares calculation, as their effect would have been anti-dilutive.

12. Related party payables and transactions

A number of key management personnel and Directors hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. There were no loans to key management personnel or Directors, or entities over which they have control or significant influence during the nine months ended September 30, 2018 or September 30, 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 nine months ended September 30, 2018, 2,850,000 stock options (2017 – 2,200,000) were granted to key management personnel and Directors having a fair value on issue of $1,040,691 (2017 - $743,983). 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 nine months ended September 30, 2018, 1,600,000 management personnel and Director stock options having a fair value on issue of $2,152,287 expired unexercised. No management personnel or Director stock options were cancelled or surrendered during the nine months ended September 30, 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.

(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 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.

12. Related party payables and transactions (continued)

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

	Transactions 9 months ended September 30, 2018 $	Transactions 9 months ended September 30, 2017 $	**Balance outstanding September 30, 2018 $**	Balance outstanding December 31, 2017 $
Archer, Cathro				
- geological services	2,062,813	2,409,743	325,867	48,941
- office and administration	65,382	141,153	29,185	14,121
	2,128,195	2,550,896	355,052	63,062
Carvest	3,770	28,230	-	-
Yeadon Law Corp.	54,881	46,421	9,163	5,561
Donaldson Grassi	36,800	46,820	10,500	15,000
D. Goss Corporation	31,500	31,500	-	3,675
Graham Downs	172,669	172,616	-	-
Ian Talbot	30,844	26,906	-	2,297
Kenway Mack	9,000	6,000	-	3,150
Matthew Keevil	79,743	-	-	-
	2,547,402	2,909,389	**374,715**	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.

(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 nine months ended September 30, 2018 and September 30, 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:

	September 30, 2018	September 30, 2017
	$	$
Loss before income taxes	(2,228,992)	(720,958)
Statutory Canadian corporate tax rate	27.0%	26.0%
Anticipated income tax recovery	601,828	187,449
Change in tax resulting from:		
Unrecognized items for tax purposes	(375,573)	(98,389)
Tax benefits renounced/to be renounced on flow-through expenditures	(1,420,652)	(1,890,902)
Net deferred income tax expense	**(1,194,397)**	(1,801,842)

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

	September 30, 2018	December 31, 2017
	$	$
Unrealized losses on marketable securities	228,540	154,442
Mineral property interests	(20,658,792)	(19,085,190)
Unclaimed investment tax credits	860,606	860,606
Non-capital loss carry forwards	3,088,689	2,889,446
Capital loss carry forwards	44,369	44,369
Share issue costs	111,162	74,068
Net deferred income tax liability	**(16,325,426)**	(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%.

As at September 30, 2018, the Company has non-capital loss carry forwards of approximately $11,440,000 of which $7,000 will expire in 2028, $471,000 in 2029, $1,175,000 in 2030, $1,666,000 in 2031 and $8,121,000 thereafter.

As at September 30, 2018, the Company has unused capital losses of $328,659 (December 31, 2017 - $328,659), which have no expiry date and can only be used to reduce future income from capital gains.

As at September 30, 2018, the Company has unclaimed resource and other deductions in the amount of $34,866,184 (December 31, 2017 - $34,165,254), which may be deducted against future taxable income.

As at September 30, 2018, the Company has share issue costs totaling $411,710 (December 31, 2017 - $274,324), which have not been claimed for income tax purposes.

As at September 30, 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 nine months ended September 30, 2018 and September 30, 2017 were comprised of the following:

	September 30, 2018	September 30, 2017
	$	$
Receivables and prepayments	(121,385)	(239,316)
JVEI property receivables	(2,305,943)	(2,034,886)
Accounts payable and accrued liabilities	(57,905)	1,070
Accounts payable to related parties	5,045	64,020
Accounts payable related to JVEI	424,231	-
Net change	**(2,055,957)**	(2,209,112)

The Company incurred non-cash financing and investing activities during the nine months ended September 30, 2018 and September 30, 2017 as follows:

	September 30, 2018	September 30, 2017
	$	$
Non-cash financing activities		
Contributed surplus on finders' warrants issued	61,500	-
Share issue costs on finders' warrants issued	(61,500)	-
Share capital reduced by flow-through share premium	151,134	-
Shares issued for mineral property interest	30,000	
Restricted cash payable	(1,305,419)	-
	(1,124,285)	-
Non-cash investing activities		
Mineral property interest acquired by issue of share capital	(30,000)	-
Deferred exploration expenditures included in Yukon mineral exploration grant receivable	-	(31,401)
Deferred exploration expenditures included in other receivable	(5,250)	-
Deferred exploration expenditures included in accounts payable and related party payables	855,134	2,219,120
	819,884	2,187,719

During the nine months ended September 30, 2018 and September 30, 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 September 30, 2018 is comprised of shareholders’ equity of $106,973,981 (December 31, 2017 - $105,075,104).

15. Financial risk management (continued)

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
	$	$	$	$
September 30, 2018				
Cash and cash equivalents	9,431,120	-	-	9,431,120
Restricted cash	79,587	-	-	79,587
Marketable securities	380,716	93,219	-	473,935
	9,891,423	**93,219**	**-**	**9,984,642**
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

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 the Canadian federal government, and its JVEI property receivables are secured by restricted cash held or to be received 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 nine months ended September 30, 2018, every 1% fluctuation in interest rates up or down would have impacted loss for the period, up or down, by approximately $104,000 (2017 - $114,000) before income taxes.

15. Financial risk management (continued)

(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 September 30, 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 $47,000 (2017 - $192,000) 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 was required to spend the funds on qualified exploration programs no later than December 31, 2018 and renounce the expenditures and available income tax benefits to the flow-through shareholders effective December 31, 2017. As of September 30, 2018, all funds have been spent, of which $1,287,409 was spent in 2018 under the look-back rules. The 2018 expenditures are subject to a floating rate interest tax which has been estimated to be $2,769.

On May 25, 2018, the Company completed a private placement of flow-through shares for gross proceeds of $4,534,020. The Company was required to spend the funds on qualified exploration programs no later than December 31, 2019. As of September 30, 2018, all funds have been spent. The expenditures and available income tax benefits will be renounced to the flow-through shareholders effective December 31, 2018.