

ATAC Resources Ltd.
Consolidated Interim Financial Statements
For the six months ended
June 30, 2016
Unaudited – Prepared by Management

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

August 11, 2016

To the Shareholders of
ATAC Resources Ltd.

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

Yours truly,

Graham Downs
Chief Executive Officer

ATAC Resources Ltd.**Consolidated Interim Statements of Financial Position****Unaudited – Prepared by Management**

	Note	June 30, 2016 \$	December 31, 2015 \$
Assets			
Current assets			
Cash and cash equivalents	3	17,535,921	15,938,120
Receivables and prepayments	4	121,850	106,380
Marketable securities	5	110,489	59,302
		17,768,260	16,103,802
Non-current assets			
Marketable securities	5	1	1
Prepaid exploration expenditures		36,442	6,416
Mineral property interests	7	94,795,440	93,280,105
		94,831,883	93,286,522
Total assets		112,600,143	109,390,324
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		51,925	98,468
Accounts payable to related parties	10	587,985	52,545
Flow-through share premium liability	14	110,001	-
		749,911	151,013
Non-current liabilities			
Deferred income tax liability	11	11,982,685	11,901,575
Total liabilities		12,732,596	12,052,588
Shareholders' equity			
Share capital	8	115,994,755	113,055,372
Contributed surplus	8	4,576,239	15,609,330
Deficit		(20,703,447)	(31,326,966)
Total shareholders' equity		99,867,547	97,337,736
Total liabilities and shareholders' equity		112,600,143	109,390,324

Nature of Operations and Going Concern	1
Commitment	14
Event after the Reporting Period	15

Approved on behalf of the Board of Directors on August 11, 2016:

"Bruce J. Kenway"

Director

"Glenn R. Yeadon"

Director

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

ATAC Resources Ltd.**Consolidated Interim Statements of Changes in Shareholders' Equity****Unaudited – Prepared by Management**

For the six months ended June 30, 2016 and June 30, 2015

	Number of shares #	Share capital \$	Contributed surplus \$	Deficit \$	Total shareholders' equity \$
January 1, 2015	117,794,577	113,055,372	16,033,105	(30,774,935)	98,313,542
Share-based payments	-	-	483,734	-	483,734
Re-allocated on expiry of options	-	-	(1,220,046)	1,220,046	-
Re-allocated on cancellation of options	-	-	(19,115)	19,115	-
Comprehensive loss for the period	-	-	-	(966,431)	(966,431)
June 30, 2015	117,794,577	113,055,372	15,277,678	(30,502,205)	97,830,845
January 1, 2016	117,794,577	113,055,372	15,609,330	(31,326,966)	97,337,736
Share-based payments	-	-	292,834	-	292,834
Re-allocated on expiry of options	-	-	(6,987,325)	6,987,325	-
Re-allocated on cancellation of options	-	-	(4,338,600)	4,338,600	-
Private placement shares issued	5,000,000	3,250,000	-	-	3,250,000
Premium on flow-through shares issued	-	(150,000)	-	-	(150,000)
Share issue costs	-	(160,617)	-	-	(160,617)
Comprehensive loss for the period	-	-	-	(702,406)	(702,406)
June 30, 2016	122,794,577	115,994,755	4,576,239	(20,703,447)	99,867,547

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

ATAC Resources Ltd.**Consolidated Interim Statements of Loss and Comprehensive Loss****Unaudited – Prepared by Management**

For the three and six months ended June 30,

		Three months ended		Six months ended	
		June 30,	June 30,	June 30,	June 30,
		2016	2015	2016	2015
	Note	\$	\$	\$	\$
Expenses					
Accounting, audit and legal	10	23,243	21,182	50,653	44,316
Consulting fees	10	10,500	10,500	21,000	21,000
Flow-through taxes	14	-	5,587	-	7,749
General and administrative expenses	10	30,799	21,103	47,330	29,868
Insurance		11,004	11,293	22,008	22,462
Investor relations and shareholder information	10	21,146	39,240	48,372	71,226
Management, administration and corporate development fees	10	112,994	120,625	217,421	232,759
Office rent	10	10,500	10,500	21,000	21,000
Property examination costs	10	255	76,751	255	103,797
Share-based payments	8	243,086	414,565	292,834	483,734
Transfer agent and filing fees		5,836	12,316	10,758	18,974
Net loss from operating expenses		(469,363)	(743,662)	(731,631)	(1,056,885)
Interest income		36,064	50,127	75,583	121,881
Gain (loss) on marketable securities	5	32,565	(18,416)	51,187	(883)
Loss for the period before income taxes		(400,734)	(711,951)	(604,861)	(935,887)
Deferred income tax expense	11	(140,105)	(47,546)	(97,545)	(30,544)
Loss and comprehensive loss for the period		(540,839)	(759,497)	(702,406)	(966,431)
Loss per share					
Weighted average number of common shares outstanding					
- basic #	9	121,127,910	117,794,577	119,461,244	117,794,577
- diluted #	9	121,127,910	117,794,577	119,461,244	117,794,577
Basic loss per share \$	9	(0.00)	(0.01)	(0.01)	(0.01)
Diluted loss per share \$	9	(0.00)	(0.01)	(0.01)	(0.01)

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

ATAC Resources Ltd.**Consolidated Interim Statements of Cash Flows****Unaudited – Prepared by Management**

For the six months ended June 30,	Note	2016 \$	2015 \$
Operating activities			
Loss and comprehensive loss for the period		(702,406)	(966,431)
Adjustments for:			
Share-based payments		292,834	483,734
(Gain) loss on marketable securities		(51,187)	883
Interest income		(75,583)	(121,881)
Deferred income tax expense		97,545	30,544
Net change in non-cash working capital items	12	(13,171)	(14,683)
		(451,968)	(587,834)
Financing activities			
Issue of common shares for cash		3,250,000	-
Share issue costs		(210,550)	-
		3,039,450	-
Investing activities			
Interest received		75,583	121,881
Mineral property acquisition costs		(160,406)	(112,898)
Prepaid exploration expenditures		(22,336)	(34,049)
Deferred exploration and evaluation expenditures		(882,522)	(606,101)
		(989,681)	(631,167)
Increase (decrease) in cash and cash equivalents		1,597,801	(1,219,001)
Cash and cash equivalents, beginning of period		15,938,120	20,424,734
Cash and cash equivalents, end of period		17,535,921	19,205,733

Supplemental cash flow information

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

ATAC Resources Ltd.**Notes to the Consolidated Interim Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2016 and June 30, 2015

1. Nature of operations and going concern

ATAC Resources Ltd. (the “Company” or “ATAC”) was incorporated under the laws of the Province of British Columbia, Canada. Head office is located at 1016 - 510 West Hastings Street, Vancouver, British Columbia, Canada, V6B 1L8. Its records office is located at 1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3. Its main business activity is the acquisition, exploration and evaluation of mineral property interests located in Canada. The consolidated interim financial statements (“financial statements”) of the Company as at June 30, 2016 and December 31, 2015 and for the six months ended June 30, 2016 and June 30, 2015 comprise the Company and its subsidiaries. Its common shares trade on the TSX Venture Exchange (“TSX-V”).

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

These financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As an exploration stage company, the Company does not have revenues and historically has recurring operating losses. As at June 30, 2016, the Company had working capital of \$17,018,349 (December 31, 2015 - \$15,952,789) and shareholders' equity of \$99,867,547 (December 31, 2015 - \$97,337,736). Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year. If the going concern assumption were not appropriate for these financial statements it would be necessary to restate the Company's assets and liabilities on a liquidation basis.

2. Significant accounting policies**(a) Basis of presentation**

These financial statements have been prepared in conformity with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited consolidated financial statements for the year ended December 31, 2015, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). It is suggested that the financial statements be read in conjunction with the annual audited financial statements.

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

The accounting policies used are those the Company expects to adopt in its consolidated financial statements for the year ended December 31, 2016, and have been applied consistently to all periods presented by the Company and its subsidiaries.

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

Effective January 1, 2016 the Company's operating expenses are being further detailed in the body of the Consolidated Statement of Loss and Comprehensive Loss. Administrative and management fees, insurance expense, office rent, and transfer agent and filing fees, that were previously included in office and administration expense, are now shown as separate line items. Investor relations fees have been removed from investor relations expense and are included with the administrative and management fees under the new heading – “management, administrative and corporate development fees”. Investor relations has been renamed – “investor relations and shareholder information”. The new presentation provides greater detail and presents the various operating fees as a single amount separate from non-fee expenses. The comparative figures for the six months ended June 30, 2015 have been restated to reflect the new presentation.

ATAC Resources Ltd.**Notes to the Consolidated Interim Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2016 and June 30, 2015

2. Significant accounting policies (continued)**(b) Standards issued but not yet effective**

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2017. Many of these updates are not applicable or consequential to the Company and have been excluded from the discussion below.

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

- New standard IFRS 9 *Financial Instruments*

IFRS 9 adds new requirements for impairment of financial assets and makes changes to the classification and measurement of financial instruments. When complete, IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement*

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

3. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	June 30, 2016	December 31, 2015
	\$	\$
Bank and broker balances	5,659,087	227,504
Cashable investment certificates	11,876,834	15,710,616
	17,535,921	15,938,120

4. Receivables and prepayments

Receivables and prepayments consist of the following:

	June 30, 2016	December 31, 2015
	\$	\$
Sales tax recoverable	59,023	18,564
Yukon mineral exploration grant receivable	4,214	31,968
Prepaid expenses	58,613	55,848
	121,850	106,380

ATAC Resources Ltd.**Notes to the Consolidated Interim Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2016 and June 30, 2015

5. Marketable securities

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

	Shares with an active market		Shares without an active market		Total gain (loss)
	Cost \$	Fair value \$	Cost \$	Fair value \$	\$
January 1, 2015	491,834	85,199	10,000	1	
Unrealized loss for the period	-	(883)	-	-	(883)
June 30, 2015	491,834	84,316	10,000	1	(883)
January 1, 2016	491,834	59,302	10,000	1	
Unrealized gain for the period	-	51,187	-	-	51,187
June 30, 2016	491,834	110,489	10,000	1	51,187

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

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

6. Subsidiary information

On July 14, 2010 two wholly-owned subsidiary companies were incorporated under the laws of the Province of British Columbia, Canada to facilitate the possible transfer to them of certain of the Company's mineral property interests. From incorporation to June 30, 2016, neither of the subsidiaries have had any transactions other than to issue nominal \$1 share capital to the Company.

ATAC Resources Ltd.**Notes to the Consolidated Interim Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2016 and June 30, 2015

7. Mineral property interests

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

	Wholly- owned \$	Other interests \$	Total \$
January 1, 2015	89,583,690	1	89,583,691
Acquisitions/staking/assessments	112,898	-	112,898
Exploration and evaluation	1,185,087	-	1,185,087
June 30, 2015	90,881,675	1	90,881,676
January 1, 2016	93,280,104	1	93,280,105
Acquisitions/staking/assessments	160,406	-	160,406
Exploration and evaluation	1,354,929	-	1,354,929
June 30, 2016	94,795,439	1	94,795,440

Changes in the project carrying amounts for the six months ended June 30, 2016 and June 30, 2015 are summarized as follows:

Six months ended June 30, 2015

	January 1, 2015 \$	Acquisitions / staking / assessments \$	Exploration and evaluation \$	June 30, 2015 \$
Wholly-owned projects				
Rackla Gold				
- Nadaleen	57,739,231	97,030	955,130	58,791,391
- Rau	31,837,181	-	192,290	32,029,471
	89,576,412	97,030	1,147,420	90,820,862
Connaught	1	14,896	26,357	41,254
Idaho Creek	680	-	295	975
Panorama	4,082	972	11,015	16,069
Rosy	2,515	-	-	2,515
Total	89,583,690	112,898	1,185,087	90,881,675
Other interests				
Dawson Gold	1	-	-	1
Total all projects	89,583,691	112,898	1,185,087	90,881,676

ATAC Resources Ltd.**Notes to the Consolidated Interim Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2016 and June 30, 2015

7. Mineral property interests (continued)

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

Six months ended June 30, 2015	Nadaleen \$	Rau \$	Others \$	Total \$
Assays	18,657	10,052	-	28,709
Drilling	187,924	-	-	187,924
Field	99,585	23,850	-	123,435
Helicopter and fixed wing	160,846	72,424	-	233,270
Labour	330,602	59,271	25,555	415,428
Resource, engineering and environmental studies	-	3,515	-	3,515
Survey and consulting	107,540	11,740	11,164	130,444
Travel and accommodation	49,976	11,438	948	62,362
Total	955,130	192,290	37,667	1,185,087

Six months ended June 30, 2016

	January 1, 2016 \$	Acquisitions / staking / assessments \$	Exploration and evaluation \$	June 30, 2016 \$
Wholly-owned projects				
Rackla Gold				
- Nadaleen	59,519,646	158,809	391,698	60,070,153
- Rau	33,629,573	-	947,116	34,576,689
	93,149,219	158,809	1,338,814	94,646,842
Connaught	94,980	-	11,289	106,269
Idaho Creek	17,280	1,597	612	19,489
Panorama	16,110	-	-	16,110
Rosy	2,515	-	4,214	6,729
Total	93,280,104	160,406	1,354,929	94,795,439
Other interests				
Dawson Gold	1	-	-	1
Total all projects	93,280,105	160,406	1,354,929	94,795,440

ATAC Resources Ltd.**Notes to the Consolidated Interim Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2016 and June 30, 2015

7. Mineral property interests (continued)

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

	Nadaleen	Rau	Others	Total
Six months ended June 30, 2016	\$	\$	\$	\$
Assays	8,248	49,350	454	58,052
Drilling	6,935	64,283	-	71,218
Field	32,566	64,695	1,693	98,954
Helicopter and fixed wing	85,626	171,934	4,898	262,458
Labour	130,767	321,192	13,284	465,243
Resource, engineering and environmental studies	2,388	210,555	-	212,943
Survey and consulting	101,495	32,420	-	133,915
Travel and accommodation	23,673	32,687	-	56,360
	391,698	947,116	20,329	1,359,143
Less: Yukon mineral exploration grant	-	-	(4,214)	(4,214)
Total	391,698	947,116	16,115	1,354,929

(1) 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.

Rackla Gold project

The Rackla Gold project consists of a 100% interest in the Rau (ACX, AT, BT, EX, GF, Gam, PH, Q, R, Rau, RR, S, T and WH mineral claims), Jam, Mouse, Sten (Dale, EN, IS, OS, ST, and Sten mineral claims) and Stoked (HO, Rae and Stoked mineral claims) mineral properties located in the Mayo Mining District, Yukon Territory.

Cash and common shares totaling \$165,600 have been received under previous option agreements.

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.

An impairment write-down of \$387,023 was recorded in 2014. New expenditures have been incurred since then to take advantage of favorable government assessment credits and grants.

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.

ATAC Resources Ltd.**Notes to the Consolidated Interim Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2016 and June 30, 2015

7. Mineral property interests (continued)**(1) Wholly-owned projects** (continued)**Panorama project**

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

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

Rosy project

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

The Company has been approved to receive financial assistance from the Yukon Government on its Rosy claims, which will reimburse the Company for one-half of its 2016 qualified exploration expenditures on the claims, to a maximum of \$6,176. The Company has accrued \$4,214 of the grant, which has been recorded as a reduction of current period exploration expenditures.

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

(2) Other interests**Joint exploration property - Dawson Gold project**

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

The other 50% interest was sold to Arcus Development Group Inc. (“Arcus”), under an option Agreement which completed in 2012. Under the Agreement the Company received \$185,000 and 1,000,000 Arcus common shares, and Arcus completed a \$3,500,000 exploration program.

The Company’s share of subsequent joint exploration expenditures on the properties totalled \$131,682, which amounts were considered impaired and written-down in 2014. There have been no significant property or exploration expenditures since 2012, and none during the six months ended June 30, 2016 or June 30, 2015.

See note 15 for details of a subsequent sale of the project.

Royalty interests

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

ATAC Resources Ltd.**Notes to the Consolidated Interim Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2016 and June 30, 2015

8. Share capital

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

Transactions for the issue of share capital during the six months ended June 30, 2016:

On April 22, 2016, the Company completed a flow-through private placement consisting of the issue of 5,000,000 common shares at a price of \$0.65 each for gross proceeds of \$3,250,000. The flow-through shares were issued at a premium to the trading value of the Company’s common shares at the date the flow-through was announced, which is a reflection of the value of the income tax write-offs that the Company will renounce to the flow-through shareholders. The premium was determined to be \$150,000 and has been recorded as a reduction of share capital. An equivalent flow-through share premium liability was recorded which will be reversed pro-rata as the required exploration expenditures are completed (see note 14).

The Underwriters were paid commissions and expenses of \$194,300, and legal and filing fees amounted to \$22,750. The total share issue costs of \$217,050, net of deferred tax benefits of \$56,433 have been shown as a reduction of share capital.

Transactions for the issue of share capital during the six months ended June 30, 2015:

There were no transactions for the issue of share capital during the six months ended June 30, 2015.

Common share rights

The Company has a “Rights Plan” under which one Right is issued for each issued and outstanding common share of the Company. Each Right entitles the holder to purchase from the Company one common share at a price equal to one-half the market price for each common share of the Company, subject to certain anti-dilutive adjustments. The Rights are exercisable only if the Company receives an unacceptable take-over bid as defined in the Rights Agreement. The original Rights Plan was replaced with a new Rights Plan at the June 2014 annual shareholders’ meeting and will remain in effect until the annual shareholders’ meeting in 2017. As at June 30, 2016, there were 122,794,577 Rights outstanding (December 31, 2015 – 117,794,577).

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.

ATAC Resources Ltd.**Notes to the Consolidated Interim Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2016 and June 30, 2015

8. Share capital (continued)**Stock options (continued)**

A summary of the status of the Company's stock options as at June 30, 2016 and December 31, 2015 and changes during the period and year then ended is as follows:

	Six months ended June 30, 2016		Year ended December 31, 2015	
	Options #	Weighted average exercise price \$	Options #	Weighted average exercise price \$
Options outstanding, beginning of period/year	9,197,000	1.62	8,557,000	1.77
Granted	2,720,000	0.35	1,800,000	0.75
Expired/cancelled	(3,362,000)	2.56	(1,160,000)	1.40
Options outstanding, end of period/year	8,555,000	0.85	9,197,000	1.62

As at June 30, 2016, the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price \$	Expiry date
1,840,000	1,840,000	1.80	January 29, 2018
2,195,000	2,195,000	0.75	February 3, 2019
1,800,000	1,800,000	0.75	January 23, 2020
2,470,000	617,500	0.31	January 21, 2021
250,000	-	0.76	June 7, 2021
8,555,000	6,452,500		

The following table summarizes information about the stock options outstanding at June 30, 2016:

Range of prices \$	Options #	Weighted average remaining life years	Weighted average exercise price \$
0.31	2,470,000	4.56	0.31
0.75 - 0.76	4,245,000	3.14	0.75
1.80	1,840,000	1.58	1.80
	8,555,000	3.22	0.85

During the six months ended June 30, 2016, 2,720,000 stock options (2015 – 1,800,000) were granted to Officers, Directors, related company employees and consultants. The Company has recorded the fair value of all options granted during the periods using the Black-Scholes option pricing model. Share-based payment costs were calculated using the following weighted average assumptions: expected life of options - five years (2015 - five years), stock price volatility – 75.89% (2015 - 87.51%), no dividend yield (2015 - nil), and a risk-free interest rate yield – 0.70% (2015 - 0.79%). The fair value is particularly impacted by the Company's stock price volatility, determined using data from the previous five years. Using the above assumptions the fair value of options granted during the six months ended June 30, 2016 was \$0.21 per option (2015 - \$0.44), for a total of \$583,089 (2015 - \$795,965). The total share-based payment expense for the six months ended June 30, 2016 was \$292,834 (2015 - \$483,734), which is presented as an operating expense, and includes only options that vested during the periods.

ATAC Resources Ltd.**Notes to the Consolidated Interim Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2016 and June 30, 2015

8. Share capital (continued)**Stock options (continued)**

During the six months ended June 30, 2016, 1,185,000 options exercisable at \$1.80 per option (2015 - 1,030,000 at \$1.40 per option and 100,000 at \$1.49 per option), expired unexercised. As a result, the original stock based compensation of \$6,987,325 (2015 - \$1,220,046) has been reversed from contributed surplus and credited to deficit.

During the six months ended June 30, 2016, 2,177,000 stock options (2015 – 30,000), were cancelled. As a result, the original stock based compensation of \$4,338,600 (2015 - \$19,115) 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.

Finders' warrants may be issued as a private placement share issue cost and are valued using the Black-Scholes option pricing model.

A summary of the status of the Company's warrants as at June 30, 2016 and December 31, 2015 and changes during the period and year then ended is as follows:

	Six months ended June 30, 2016		Year ended December 31, 2015	
	Warrants #	Weighted average exercise price \$	Warrants #	Weighted average exercise price \$
Warrants outstanding, beginning of period/year	-	-	1,890,720	2.70
Expired	-	-	(1,890,720)	2.70
Warrants outstanding, end of period/year	-	-	-	-

Contributed surplus

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

	\$
January 1, 2015	16,033,105
Options vesting	483,734
Options expired	(1,220,046)
Options cancelled	(19,115)
June 30, 2015	15,277,678
January 1, 2016	15,609,330
Options vesting	292,834
Options expired	(6,987,325)
Options cancelled	(4,338,600)
June 30, 2016	4,576,239

ATAC Resources Ltd.**Notes to the Consolidated Interim Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2016 and June 30, 2015

9. Loss per share

The calculation of basic and diluted loss per share for six months ended June 30, 2016 was based on the loss attributable to common shareholders of \$702,406 (2015 - \$966,431) and a weighted average number of common shares outstanding of 119,461,244 (2015 – 117,794,577).

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

10. Related party payables and transactions

A number of key management personnel and Directors hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. There were no loans to key management personnel or Directors, or entities over which they have control or significant influence during the six months ended June 30, 2016 or June 30, 2015.

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

Key management personnel and Directors receive no salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company, other than noted below, and there are no employment contracts with them that cannot be terminated without penalty on thirty days advance notice. Key management personnel and Directors participate in the Company's stock option plan.

During the six months ended June 30, 2016, 1,650,000 stock options (2015 - 975,000) were granted to key management personnel and Directors having a fair value on issue of \$380,905 (2015 - \$431,148). Of the new options, 1,400,000 are exercisable at \$0.31 each until January 21, 2021 and vest over a one year period ending January 21, 2017. The other 250,000 options are exercisable at \$0.76 each until June 7, 2021 and vest over a one year period ending June 7, 2017.

During the six months ended June 30, 2016, 1,245,000 management personnel and Director stock options (2015 – nil), exercisable at \$3.00 each until March 23, 2017, having a fair value on issue of \$2,490,000, were surrendered and cancelled.

The Company transacted with the following related parties:

- (a) Archer, Cathro & Associates (1981) Limited ("Archer Cathro") is a geological consulting firm that is a related party through its management contracts, which confer significant influence over operations. Charges are for property location, acquisition, exploration, management, and office rent and administration. The charges by Archer Cathro also include the services of Graham Downs, who is the Company's President and CEO and Julia Lane, who is the Company's 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) Helmut Wober was a Company Director. He provided the Company with engineering services as requested.

ATAC Resources Ltd.**Notes to the Consolidated Interim Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2016 and June 30, 2015

10. Related party payables and transactions (continued)

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

	Transactions 6 months ended June 30, 2016 \$	Transactions 6 months ended June 30, 2015 \$	Balances outstanding June 30, 2016 \$	Balances outstanding December 31, 2015 \$
Archer, Cathro				
- geological services	561,234	546,926	459,523	-
- rent and administration	212,108	214,963	80,789	30,780
	773,342	761,889	540,312	30,780
Yeadon Law Corp.	39,743	25,664	20,671	3,334
Donaldson Grassi	18,650	19,900	8,500	12,000
D. Goss Corporation	21,000	21,000	-	3,675
Ian Talbot	21,000	20,344	-	2,756
Carvest (1)	23,790	57,270	18,502	-
Helmut Wober -engineering services	1,380	-	-	-
	898,905	906,067	587,985	52,545

(1) Includes geological services of \$21,035 and other services of \$2,755.

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

ATAC Resources Ltd.**Notes to the Consolidated Interim Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2016 and June 30, 2015

11. Income taxes

Income tax expense for the six months ended June 30, 2016 and June 30, 2015 varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before income taxes as follows:

	June 30, 2016	June 30, 2015
	\$	\$
Loss before income taxes	(604,861)	(935,887)
Statutory Canadian corporate tax rate	26.0%	26.0%
Anticipated income tax recovery	157,264	243,331
Change in tax resulting from:		
Unrecognized items for tax purposes	(69,482)	(125,886)
Tax benefits to be renounced on flow-through expenditures	(185,327)	(147,989)
Net deferred income tax expense	(97,545)	(30,544)

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

	June 30, 2016	December 31, 2015
	\$	\$
Unrealized losses on marketable securities	50,874	57,529
Mineral property interests	(15,684,079)	(15,457,741)
Unclaimed investment tax credits	872,395	872,395
Non-capital loss carry forwards	2,577,467	2,429,792
Capital loss carry forwards	42,697	42,697
Share issue costs	157,961	153,753
Net deferred income tax liability	(11,982,685)	(11,901,575)

As at June 30, 2016 the Company has non-capital loss carry forwards of approximately \$9,913,000 of which \$7,000 will expire in 2028, \$471,000 in 2029, \$1,175,000 in 2030, \$1,666,000 in 2031 and \$6,594,000 thereafter.

As at June 30, 2016 the Company has unused capital losses of \$328,437, which have no expiry date and can only be used to reduce future income from capital gains.

As at June 30, 2016 the Company has unclaimed resource and other deductions in the amount of \$34,472,059 (December 31, 2015 - \$33,827,255), which may be deducted against future taxable income.

As at June 30, 2016 there are share issue costs totaling \$607,542 (December 31, 2015 - \$591,362), which have not been claimed for income tax purposes.

As at June 30, 2016 the Company has unused investment tax credits totaling \$1,178,912, (December 31, 2015 - \$1,178,912), which have not been claimed for income tax purposes. \$957,999 of the tax credits expire in 2032 and \$220,913 in 2033.

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

ATAC Resources Ltd.**Notes to the Consolidated Interim Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2016 and June 30, 2015

12. Supplemental cash flow information

Changes in non-cash operating working capital during the six months ended June 30, 2016 and June 30, 2015 were comprised of the following:

	June 30, 2016	June 30,
	\$	2015
		\$
Receivables and prepayments	(43,224)	(24,831)
Accounts payable and accrued liabilities	(39,364)	(27,391)
Accounts payable to related parties	69,417	37,539
Net change	(13,171)	(14,683)

The Company incurred non-cash financing and investing activities during the six months ended June 30, 2016 and June 30, 2015 as follows:

	June 30, 2016	June 30,
	\$	2015
		\$
Non-cash financing activity		
Share capital reduced by flow-through share premium	150,000	-
Non-cash investing activities:		
Deferred exploration expenditures included in accounts payable and related party payables	505,227	632,778
Deferred exploration expenditures included in Yukon mineral exploration grant receivable	(4,214)	-
	501,013	632,778

During the six months ended June 30, 2016 and June 30, 2015 no amounts were paid for interest or income tax expenses.

13. Financial risk management**Capital management**

The Company is a junior exploration company and considers items included in shareholders' equity as capital. The Company has no debt and does not expect to enter into debt financing. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's capital structure as at June 30, 2016 is comprised of shareholders' equity of \$99,867,547 (December 31, 2015 - \$97,337,736).

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

ATAC Resources Ltd.**Notes to the Consolidated Interim Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2016 and June 30, 2015

13. Financial risk management (continued)**Financial instruments - fair value**

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

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
June 30, 2016				
Cash and cash equivalents	17,535,921	-	-	17,535,921
Marketable securities	110,489	-	1	110,490
	17,646,410	-	1	17,646,411
December 31, 2015				
Cash and cash equivalents	15,938,120	-	-	15,938,120
Marketable securities	59,302	-	1	59,303
	15,997,422	-	1	15,997,423

Financial instruments - risk

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

(a) Credit risk

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

(b) Interest rate risk

The Company is exposed to interest rate risk because of fluctuating interest rates. Fluctuations in market rates do not have a significant impact on the Company's operations due to the short term to maturity and no penalty cashable feature of its cash equivalents. For the six months ended June 30, 2016 every 1% fluctuation in interest rates up or down would have impacted loss for the period, up or down, by approximately \$84,000 (2015 - \$90,000) before income taxes.

ATAC Resources Ltd.**Notes to the Consolidated Interim Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2016 and June 30, 2015

13. Financial risk management (continued)**Financial instruments – risk** (continued)**(c) Market risk**

The Company is exposed to market risk because of the fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Based on the June 30, 2016 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 \$11,000 (2015 - \$8,500) before income taxes.

(d) Liquidity risk

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

14. Commitment

On April 22, 2016 the Company completed a private placement of flow-through shares for gross proceeds of \$3,250,000 (see note 8). The Company must spend the funds on qualified exploration programs and renounce the expenditures and available income tax benefits to the flow-through shareholders effective December 31, 2016. This will increase the timing differences between the book value of the Company's mineral property interests and the carrying value for tax purposes. This will result in a deferred income tax liability which will be recorded as the flow-through funds are expended. Approximately \$867,000 of the funds have been spent as at June 30, 2016, which increased the Company's deferred income tax liability by \$225,326, reduced the flow-through share premium liability pro-rata by \$39,999, and increased deferred income tax expense by \$185,327.

Under the look-back rules permitted by Canadian tax authorities the Company has until December 31, 2017 to spend the flow-through funds. Any funds spent after February 1, 2017 will be charged a floating rate interest tax, which is currently set at 1% per annum.

15. Event after the reporting period

On July 26, 2016, the Company's Board of Directors approved an agreement to sell its remaining 50% interest in the Dawson Gold project (see note 7(2)) to Arcus. Under the Agreement the Company will receive 10,869,910 common shares of Arcus, so that the Company will own 19.99% of the outstanding common shares. The Company will also receive 5,000,000 share purchase warrants which will permit the Company to purchase an additional 5,000,000 common shares of Arcus at a price of \$0.20 per share for a five year period after closing of the transaction. The warrants cannot be exercised if it results in the Company owning more than 20% of Arcus. The Company will retain a 1% NSR in the properties. The transaction is subject to TSX-V acceptance.