ATAC Resources Ltd.

Consolidated Interim Financial Statements

For the six months ended

June 30, 2017

Unaudited – Prepared by Management

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

August 9, 2017

To the Shareholders of
ATAC Resources Ltd.

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

Yours truly,

Graham Downs
Chief Executive Officer

ATAC Resources Ltd.

Consolidated Interim Statements of Financial Position

Unaudited – Prepared by Management

	Note	June 30, 2017 $	December 31, 2016 $
Assets			
Current assets			
Cash and cash equivalents	3	20,285,674	14,628,414
Receivables and prepayments	4,5	886,628	74,365
Marketable securities	6	2,148,328	1,469,165
		23,320,630	16,171,944
Non-current assets			
Marketable securities	6	1	1
Prepaid exploration expenditures		128,628	5,670
Mineral property interests	8	99,653,680	96,985,836
Reclamation deposit	9	121,022	-
		99,903,331	96,991,507
Total assets		**123,223,961**	113,163,451
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		400,586	103,521
Accounts payable to related parties	12	1,306,028	105,144
Flow-through share premium liability		-	31,395
		1,706,614	240,060
Non-current liabilities			
Deferred income tax liability	13	13,323,962	12,722,993
Total liabilities		**15,030,576**	12,963,053
Shareholders' equity			
Share capital	10	124,360,552	116,011,508
Contributed surplus	10	4,840,552	4,853,086
Deficit		(21,007,719)	(20,664,196)
Total shareholders' equity		**108,193,385**	100,200,398
Total liabilities and shareholders' equity		**123,223,961**	113,163,451
Nature of operations and going concern	1		
Commitments	16		

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

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

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

ATAC Resources Ltd.

Consolidated Interim Statements of Changes in Shareholders' Equity

Unaudited – Prepared by Management

For the six months ended June 30, 2017 and June 30, 2016

	Number of shares	Share capital	Contributed surplus	Deficit	Total shareholders' equity
	#	$	$	$	$
January 1, 2016	117,794,577	113,055,372	15,609,330	(31,326,966)	97,337,736
Share-based payments	-	-	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)
Loss and 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**
January 1, 2017	122,822,077	116,011,508	4,853,086	(20,664,196)	100,200,398
Share-based payments	-	-	52,763	-	52,763
Exercise of options	75,000	23,250	-	-	23,250
Re-allocated on exercise of options	-	14,172	(14,172)	-	-
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	-	-	-	(394,648)	(394,648)
June 30, 2017	**139,581,877**	**124,360,552**	**4,840,552**	**(21,007,719)**	**108,193,385**

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	
	Note	**June 30, 2017** $	June 30, 2016 $	**June 30, 2017**	June 30, 2016 $
Expenses					
Accounting, audit and legal	12	87,051	23,243	108,344	50,653
Consulting fees	12	13,500	10,500	24,000	21,000
Flow-through taxes	16	798	-	1,072	-
General administrative expenses		32,784	30,799	56,391	47,330
Insurance		11,077	11,004	22,155	22,008
Investor relations and shareholder information		63,784	21,146	100,155	48,372
Management, administration and corporate development fees	12	46,662	112,994	93,311	217,421
Office rent	12	10,500	10,500	21,000	21,000
Property examination costs	12	145	255	145	255
Salaries and benefits	12	56,092	-	116,366	-
Share-based payments	10	7,273	243,086	52,763	292,834
Transfer agent and filing fees		5,740	5,836	10,472	10,758
Loss from operating expenses		**(335,406)**	(469,363)	**(606,174)**	(731,631)
Project management fees	5	31,306	-	31,306	-
Interest income		48,279	36,064	81,445	75,583
(Loss) gain on marketable securities	6	(27,396)	32,565	679,163	51,187
(Loss) income for the period before income taxes		**(283,217)**	(400,734)	**185,740**	(604,861)
Deferred income tax expense	13	(103,498)	(140,105)	(580,388)	(97,545)
Loss and comprehensive loss for the period		**(386,715)**	(540,839)	**(394,648)**	(702,406)
Loss per share					
Weighted average number of common shares outstanding					
- basic #	**11**	**128,417,010**	121,127,910	**125,619,544**	119,461,244
- diluted #	**11**	**128,417,010**	121,127,910	**125,619,544**	119,461,244
Basic loss per share $	**11**	**(0.00)**	(0.00)	**(0.00)**	(0.01)
Diluted loss per share $	**11**	**(0.00)**	(0.00)	**(0.00)**	(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	2017 $	2016 $
Operating activities			
Loss and comprehensive loss for the period		(394,648)	(702,406)
Adjustments for:			
Share-based payments		52,763	292,834
Gain on marketable securities		(679,163)	(51,187)
Interest income		(81,445)	(75,583)
Deferred income tax expense		580,388	97,545
Net change in non-cash working capital items	14	(780,317)	(13,171)
		(1,302,422)	(451,968)
Financing activities			
Issue of common shares for cash		8,365,650	3,250,000
Share issue costs		(41,592)	(210,550)
		8,324,058	3,039,450
Investing activities			
Interest received		81,445	75,583
Reclamation deposits		(121,022)	-
Yukon mining exploration grant received		6,143	-
Mineral property acquisition costs		(99,835)	(160,406)
Prepaid exploration expenditures		(122,955)	(22,336)
Deferred exploration and evaluation expenditures		(1,108,152)	(882,522)
		(1,364,376)	(989,681)
Increase in cash and cash equivalents		**5,657,260**	1,597,801
Cash and cash equivalents, beginning of period		**14,628,414**	15,938,120
Cash and cash equivalents, end of period		**20,285,674**	17,535,921
Supplemental cash flow information	14		

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

1. Nature of operations and going concern

ATAC Resources Ltd. (the "Company" or "ATAC") was incorporated under the laws of the Province of British Columbia, Canada. The Company's head office is located at 1016 - 510 West Hastings Street, Vancouver, British Columbia, Canada, V6B 1L8. Its records office is located at 1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3. Its main business activity is the acquisition, exploration and evaluation of mineral property interests located in Canada. These consolidated interim financial statements ("financial statements") of the Company as at June 30, 2017 and December 31, 2016 and for the six months ended June 30, 2017 and 2016 comprise the Company and its subsidiaries. Its common shares trade on the TSX Venture Exchange ("TSX-V").

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

These financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As an exploration stage company, the Company does not have revenues and historically has recurring operating losses. As at June 30, 2017, the Company had working capital of $21,614,016 (December 31, 2016 - $15,931,884) and shareholders' equity of $108,193,385 (December 31, 2016 - $100,200,398). Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year. If the going concern assumption were not appropriate for these financial statements, it could be necessary to restate the Company's assets and liabilities on a liquidation basis.

2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited consolidated financial statements for the year ended December 31, 2016, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). It is suggested that the financial statements be read in conjunction with the annual audited financial statements.

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

The accounting policies used are those the Company expects to adopt in its consolidated financial statements for the year ended December 31, 2017, and have been applied consistently to all periods presented by the Company and its subsidiaries.

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

2. Significant accounting policies (continued)

(b) Standards issued but not yet effective

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

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

• New standard IFRS 9 *Financial Instruments*

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

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

3. Cash and cash equivalents

Cash and cash equivalents consists of the following:

	June 30, 2017	December 31, 2016
	$	$
Bank and broker balances	1,872,091	2,691,927
Cashable investment certificates	18,413,583	11,936,487
	20,285,674	14,628,414

4. Receivables and prepayments

Receivables and prepayments consists of the following:

	June 30, 2017	December 31, 2016
	$	$
Sales tax recoverable	117,322	21,152
Prepaid expenses	76,099	47,069
JVEI property receivables (note 5)	693,207	-
Yukon mineral exploration grant receivable	-	6,144
	886,628	74,365

5. JVEI property receivables

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

The Company has opened a JVEI bank account to receive cash advances from Barrick to pay for the exploration amounts as incurred. As at June 30, 2017, a balance of $4,957,635 was held in trust on behalf of Barrick and is not reflected on the statement of financial position as cash of the Company. As at June 30, 2017, the Company is owed $693,207 related to the JVEI property expenditures, of which $31,306 are management fees earned during the period ended June 30, 2017 and reflected as income on the statement of loss.

6. Marketable securities

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

	Shares with an active market	Shares without an active market	Warrants	Total	Total gain
	$	$	$	$	$
Cost					
January 1, 2016	491,834	10,000	-	501,834	
Additions/disposals	-	-	-	-	
June 30, 2016	491,834	10,000	-	501,834	
Fair value					
January 1, 2016	59,302	1	-	59,303	
Unrealized gain	51,187	-	-	51,187	51,187
June 30, 2016	110,489	1	-	110,490	51,187
Cost					
January 1, 2017	1,691,834	10,000	475,000	2,176,834	
Additions/disposals	-	-	-	-	
June 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	445,845	-	233,318	679,163	679,163
June 30, 2017	**1,541,672**	**1**	**606,656**	**2,148,329**	**679,163**

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.

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 June 30, 2017, neither of the subsidiaries have had any transactions other than to issue nominal $1 share capital to the Company.

8. Mineral property interests

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

	Wholly-owned $	Other interests $	Total $
January 1, 2016	93,280,104	1	93,280,105
Acquisitions/staking/assessments	160,406	-	160,406
Exploration and evaluation	1,354,929	-	1,354,929
June 30, 2016	**94,795,439**	**1**	**94,795,440**
January 1, 2017	96,985,836	-	96,985,836
Acquisitions/staking/assessments	99,835	-	99,835
Exploration and evaluation	2,568,009	-	2,568,009
June 30, 2017	**99,653,680**	**-**	**99,653,680**

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

Six months ended June 30, 2016

	January 1, 2016 $	Acquisitions / staking / assessments $	Exploration and evaluation $	June 30, 2016 $
Wholly-owned projects				
Rackla Gold Property				
- Osiris and Orion projects (1)	59,519,646	158,809	391,698	60,070,153
- Rau project	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**

(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:

	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**

Six months ended June 30, 2017

	January 1, 2017	Acquisitions / staking / assessments	Exploration and evaluation	June 30, 2017
	$	$	$	$
Wholly-owned projects				
Rackla Gold Property				
- Osiris and Orion projects	61,843,223	61,823	2,309,243	64,214,289
- Rau project	34,927,893	-	177,098	35,104,991
	96,771,116	**61,823**	**2,486,341**	**99,319,280**
Connaught	106,269	20,862	1,374	128,505
Idaho Creek	19,490	-	-	19,490
Panorama	16,110	-	-	16,110
Rosy	72,851	17,150	80,294	170,295
Total	**96,985,836**	**99,835**	**2,568,009**	**99,653,680**

8. Mineral property interests (continued)

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

Six months ended June 30, 2017	Nadaleen $	Rau $	Rosy $	Others $	Total $
Assays	8,487	4,332	100	-	12,919
Drilling	546,991	5,400	-	-	552,391
Field	238,956	9,306	8,276	-	256,538
Helicopter and fixed wing	524,698	32,886	15,756	-	573,340
Labour	671,476	97,069	51,211	1,374	821,130
Resource, engineering and enviromental studies	-	3,123	-	-	3,123
Surveys and consulting	166,612	9,890	1,160	-	177,662
Travel and accommodation	152,023	15,092	3,791	-	170,906
Total	**2,309,243**	**177,098**	**80,294**	**1,374**	**2,568,009**

(a) Wholly-owned projects

The Company's wholly owned projects are comprised of the rights to explore various mineral claims located in the Yukon Territory, which are at various stages of exploration. They are not subject to any option or sale agreements, except as noted below.

(i) Rackla Gold property

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

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

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

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

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

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

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

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

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

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

8. Mineral property interests (continued)

(a) Wholly-owned projects (continued)

(i) Rackla Gold property (continued)

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

The purchase of Rod and the Scarg claims, that were being conditionally acquired in contemplation of them being included in the Orion project, has been cancelled and the Company has recovered its staking costs of $63,376.

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

(ii) Connaught project

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

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

(iii) Idaho Creek project

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

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

(iv) Panorama project

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

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

(v) Rosy project

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

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

(b) Royalty interests

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

9. Reclamation deposit

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

10. Share capital

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

Transaction for the issue of share capital during six months ended June 30, 2017:

(a) The Company issued 75,000 common shares on the exercise of options for proceeds of $23,250. In addition, $14,172 representing the fair value of the options on initial vesting was re-allocated from contributed surplus to share capital.

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

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

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 renounced to the flow-through shareholders. The premium was determined to be $150,000 and was recorded as a reduction of share capital.

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

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 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 2019. As at June 30, 2017, there were 139,581,877 rights outstanding (December 31, 2016 – 122,822,077).

Stock options

The Company has an incentive stock option plan (the "Plan"), under which the maximum number of stock options issued cannot exceed 10% of the Company's currently issued and outstanding common shares. The exercise period for any options granted under the Plan cannot exceed ten years. The exercise price of options granted under the Plan cannot be less than the "discounted market price" of the common shares (defined as the last closing market price of the Company's common shares immediately preceding the issuance of a news release announcing the granting of the options, less a discount of from 15% to 25%), unless otherwise agreed to by the Company and accepted by the TSX-V.

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

10. Share capital (continued)

Stock options (continued)

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

	Six months ended June 30, 2017		Year ended December 31, 2016	
	Options #	Weighted average exercise price $	Options #	Weighted average exercise price $
Options outstanding, beginning of period/year	8,500,000	0.85	9,197,000	1.62
Granted	3,115,000	0.55	2,720,000	0.35
Exercised	(75,000)	0.31	(27,500)	0.31
Expired/cancelled	(90,000)	0.87	(3,389,500)	2.54
Options outstanding, end of period/year	**11,450,000**	**0.77**	8,500,000	**0.85**

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

Options outstanding #	Options exercisable #	Exercise price $	Expiry date
1,830,000	1,830,000	1.80	January 29, 2018
2,155,000	2,155,000	0.75	February 3, 2019
1,760,000	1,760,000	0.75	January 23, 2020
2,340,000	2,340,000	0.31	January 21, 2021
250,000	250,000	0.76	June 7, 2021
3,115,000	-	0.55	May 26, 2022
11,450,000	**8,335,000**		

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

Range of prices $	Options #	Weighted average remaining life years	Weighted average exercise price $
0.31 - 0.55	5,455,000	4.33	0.45
0.75 - 0.76	4,165,000	2.15	0.75
1.80	1,830,000	0.58	1.80
	11,450,000	**2.94**	**0.77**

During the six months ended June 30, 2017, 3,115,000 stock options (2016 – 2,720,000) were granted to Officers, Directors, related company employees and consultants. The Company has recorded the fair value of all options granted during the periods using the Black-Scholes option pricing model. Share-based payment costs were calculated using the following weighted average assumptions: expected life of options - five years (2016 - five years), stock price volatility – 71.49% (2016 – 75.89%), no dividend yield (2016 - nil), and a risk-free interest rate yield – 0.94% (2015 - 0.79%). The fair value is particularly impacted by the Company's stock price volatility, determined using data from the previous five years.

The total share-based payment expense for the six months ended June 30, 2017 was $52,763 (2016 - $292,834), which is presented as an operating expense, and includes only options that vested during the periods.

10. Share capital (continued)

Stock options (continued)

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

During the six months ended June 30, 2017, 90,000 stock options (2016 – 2,177,000), were cancelled. As a result, the original stock based compensation of $51,126 (2016 - $4,338,600) has been reversed from contributed surplus and credited to deficit.

Warrants

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

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

Contributed surplus

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

11. Loss per share

The calculation of basic and diluted loss per share for the six months ended June 30, 2017 was based on the loss of $394,648 (2016 – $702,406) and a weighted average number of common shares outstanding of 125,619,544 (2016 – 119,461,244).

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

12. Related party payables and transactions

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

Graham Downs, the Company's CEO receives a salary of $18,750 per month and incentive stock options. All other key management personnel and Directors receive no salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company, other than noted below, and there are no employment contracts with them that cannot be terminated without penalty on thirty days advance notice. Key management personnel and Directors participate in the Company's stock option plan.

During the six months ended June 30, 2017, 2,200,000 stock options (2016 - 1,650,000) were granted to key management personnel and Directors having a fair value on issue of $743,983 (2016 - $380,905). The options granted are exercisable at $0.55 each until May 26, 2022 and vest over a one year period ending May 26, 2018.

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

12. Related party payables and transactions (continued)

The Company transacted with the following related parties:

(a) Archer Cathro is a geological consulting firm that is a related party through its management contracts, which confer significant influence over operations. Charges are for property location, acquisition, exploration, management, accounting and office rent and administration. The charges by Archer Cathro include the services of Graham Downs until August 31, 2016. The charges by Archer Cathro also include the services of Julia Lane, who is the Vice President of Exploration, and a minority shareholder of Archer Cathro.

(b) Glenn Yeadon is a Director and the Company's Secretary. He controls Glenn R. Yeadon Personal Law Corporation ("Yeadon Law Corp."), which provides the Company with legal services.

(c) Larry Donaldson is the Company's CFO. He is a partner of Donaldson Grassi, Chartered Professional Accountants, a firm in which he has significant influence. Donaldson Grassi provides the Company with accounting and tax services.

(d) Douglas Goss is a Director and the Company's Chairman of the Board. He controls Douglas O. Goss Professional Corporation ("D. Goss Corporation"), which provides consulting services to the Company.

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

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

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

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

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, 2017	Transactions 6 months ended June 30, 2016	**Balance outstanding June 30, 2017**	Balance outstanding December 31, 2016
	$	$	**$**	$
Archer, Cathro				
- geological services	1,055,467	561,234	1,181,550	66,103
- office and administration	94,607	212,108	84,659	19,613
	1,150,074	773,342	1,266,209	85,716
Carvest Holdings Ltd. (1)	10,270	23,790	-	-
Yeadon Law Corp.	35,871	39,743	24,098	2,767
Donaldson Grassi	32,860	18,650	12,571	10,000
D. Goss Corporation	21,000	21,000	-	3,675
Graham Downs	116,366	-	-	-
Ian Talbot	21,000	21,000	-	2,986
Kenway Mack	3,000	-	3,150	-
Helmut Wober - engineering services	-	1,380	-	-
	1,390,441	898,905	**1,306,028**	105,144

(1) Transactions for the six months ended June 30, 2017 includes geological services of $10,270 (2016 - $21,035) and nil for other services (2016 - $2,755).

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

12. Related party payables and transactions (continued)

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

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

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

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

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

(e) Rent
- Charged by Archer Cathro

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

13. Income Taxes

Income tax expense for the six months ended June 30, 2017 and 2016 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, 2017 $	June 30, 2016 $
Income (loss) before income taxes	185,740	(604,861)
Statutory Canadian corporate tax rate	26.0%	26.0%
Anticipated income tax (expense) recovery	(48,292)	157,264
Change in tax resulting from:		
Unrecognized items for tax purposes	74,578	(69,482)
Tax benefits renounced on flow-through expenditures	(606,674)	(185,327)
Net deferred income tax expense	(580,388)	(97,545)

13. Income Taxes (continued)

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

	June 30, 2017	December 31, 2016
	$	$
Unrealized losses on marketable securities	3,705	91,997
Mineral property interests	(17,004,268)	(16,365,271)
Unclaimed investment tax credits	872,395	872,395
Non-capital loss carry forwards	2,667,572	2,529,454
Capital loss carry forwards	42,697	42,697
Share issue costs	93,937	105,735
Net deferred income tax liability	**(13,323,962)**	(12,722,993)

As at June 30, 2017 the Company has non-capital loss carry forwards of approximately $10,260,000 of which $7,000 will expire in 2028, $471,000 in 2029, $1,175,000 in 2030, $1,666,000 in 2031 and $6,941,000 thereafter.

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

As at June 30, 2017 the Company has unclaimed resource and other deductions in the amount of $34,252,648 (December 31, 2016 - $34,042,489), which may be deducted against future taxable income.

As at June 30, 2017 there are share issue costs totaling $361,295 (December 31, 2016 - $406,673), which have not been claimed for income tax purposes.

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

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

14. Supplemental cash flow information

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

	June 30, 2017	June 30, 2016
	$	$
Receivables and prepayments	(817,815)	(43,224)
Accounts payable and accrued liabilities	(47,940)	(39,364)
Accounts payable to related parties	85,438	69,417
Net change	**(780,317)**	(13,171)

14. Supplemental cash flow information (continued)

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

	June 30, 2017 $	June 30, 2016 $
Non-cash investing activities:		
Deferred exploration expenditures included in accounts payable and related party payables	1,565,038	505,227
Deferred exploration expenditures included in Yukon mineral exploration grant receivable	-	(4,214)
	1,565,038	501,013

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

15. Financial risk management

Capital management

The Company is a junior exploration company and considers items included in shareholders' equity as capital. The Company has no debt and does not expect to enter into debt financing. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's capital structure as at June 30, 2017 is comprised of shareholders' equity of $108,193,385 (December 31, 2016 - $100,200,398).

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

Financial instruments - fair value

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

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

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

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

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

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

15. Financial risk management (continued)

Financial instruments - fair value (continued)

	Level 1	Level 2	Level 3	Total
	$	$	$	$
June 30, 2017				
Cash and cash equivalents	20,285,674	-	-	20,285,674
Marketable securities	1,541,672	606,656	1	2,148,329
	21,827,346	**606,656**	**1**	**22,434,003**
December 31, 2016				
Cash and cash equivalents	14,628,414	-	-	14,628,414
Marketable securities	1,095,827	373,338	1	1,469,166
	15,724,241	373,338	1	16,097,580

Financial instruments- risk

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

(a) Credit risk

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

(b) Interest rate risk

The Company is exposed to interest rate risk because of fluctuating interest rates. Fluctuations in market rates do not have a significant impact on the Company's operations due to the short term to maturity and no penalty cashable feature of its cash equivalents. For the six months ended June 30, 2017, every 1% fluctuation in interest rates up or down would have impacted loss for the period, up or down, by approximately $76,000 (2016 - $84,000) before income taxes.

(c) Liquidity risk

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

(d) Market risk

The Company is exposed to market risk because of the fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Based on the June 30, 2017 value of marketable securities every 10% increase or decrease in the share prices of these companies would have impacted loss for the period, up or down, by approximately $215,000 (2016 - $11,000) before income taxes.

16. Commitments

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

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

(b) On May 3, 2017, the Company completed a private placement of flow-through shares for gross proceeds of $8,342,400. The Company must spend the funds on qualified exploration programs no later than December 31, 2018, and renounce the expenditures and available income tax benefits to the flow-through shareholders effective December 31, 2017. Approximately $1,774,000 of the funds have been spent as at June 30, 2017, which increased the Company's deferred income tax liability by $461,208 and increased deferred income tax expense by $461,208.

Under the look-back rules the Company has until December 31, 2018 to spend the remaining $6,568,400 of flow-through funds. Any funds spent after February 1, 2018 will be subject to a floating rate interest tax, which is currently set at 1% per annum.