Atlantic Gold Corporation

Consolidated Financial Statements
December 31, 2016 and 2015
(Expressed in Canadian dollars)

April 28, 2017

Independent Auditor's Report

To the Shareholders of Atlantic Gold Corporation

We have audited the accompanying consolidated financial statements of Atlantic Gold Corporation and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2016 and December 31, 2015 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Atlantic Gold Corporation and its subsidiaries as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants

Atlantic Gold Corporation

Consolidated Balance Sheets

(Expressed in Canadian Dollars)

	As at December 31, 2016	As at December 31, 2015
Assets		
Current		
Cash and cash equivalents	**$ 14,396,987**	$ 10,764,172
Prepaid expenses and deposits	**783,824**	135,319
Receivables *(Note 6)*	**3,673,585**	513,519
Inventory	**201,285**	-
Deferred financing fees	**3,274,078**	-
Due from related party *(Note 16)*	**19,034**	19,305
	22,348,793	11,432,315
Property, plant and equipment *(Note 7)*	**95,805,269**	4,411,126
Mineral properties *(Note 8)*	**17,749,731**	27,630,686
Restricted cash *(Note 9)*	**9,337,346**	-
Other non-current assets	**448,078**	448,077
	$ 145,689,217	$ 43,922,204
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 13,815,348**	$ 1,577,265
Due to related parties *(Note 16)*	**657,294**	356,308
Convertible debenture *(Note 11)*	**12,455,917**	-
Lease obligation *(Note 13)*	**9,798,540**	-
Project Loan Facility (*Note 10*)	**32,829,623**	-
Other liability *(Note 14b)*	**1,165,091**	-
	70,721,813	**1,933,573**
Reclamation provision *(Note 12)*	**1,581,624**	-
	72,303,437	**1,933,573**
Shareholders' equity		
Share capital *(Note 14a, 14b)*	**103,973,121**	68,594,009
Contributed surplus *(Note 14c)*	**13,289,077**	12,657,504
Convertible debenture - equity component *(Note 11)*	**277,917**	-
Deficit	**(44,154,335)**	(39,262,882)
Total Shareholders' Equity	**73,385,780**	41,988,631
	$ 145,689,217	$ 43,922,204

Commitments *(Note 18)*

Subsequent events *(Note 20)*

Approved by the Board:

"Donald Siemens" Director

"Robert Atkinson" Director

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

Atlantic Gold Corporation

Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended December 31
(Expressed in Canadian Dollars)

		2016		2015
Expenses				
Amortization	**$**	**85,858**	$	43,535
Corporate Development and investor relations		**352,212**		376,297
Director fees		**131,792**		75,000
Management Fees, salaries and benefits		**1,797,875**		1,072,419
Office and general		**261,758**		162,328
Professional fees		**374,674**		626,479
Rent		**192,546**		154,697
Share-based payments *(Note 14c)*		**948,733**		535,819
Transfer agent and filing fees		**99,886**		139,542
Travel, meals and entertainment		**89,147**		31,840
		(4,334,481)		3,217,956
Other income / (expense)				
Impairment of property, plant & equipment		**-**		(36,681)
Financing costs (*Note 10 and 13*)		**(1,124,582)**		-
Interest and other income		**145,931**		129,431
Net loss before income taxes		**(5,313,132)**		(3,125,206)
Deferred income tax recovery *(Note 11)*		**421,679**		-
Net loss and comprehensive loss for the year	**$**	**(4,891,453)**	$	(3,125,206)
Weighted average number of shares outstanding		**148,802,041**		114,493,370
Loss per share, basic and diluted	**$**	**(0.03)**	$	(0.03)

Atlantic Gold Corporation

Consolidated Statements of Changes in Equity
For the Years Ended December 31
(Expressed in Canadian Dollars)

				2016		
	Shares	Share Capital	Contributed Surplus	Convertible Debenture	Deficit	Total equity
Balance - January 1, 2016	**115,491,447**	**$ 68,594,009**	**$ 12,657,504**	**$ -**	**$ (39,262,882)**	**$ 41,988,631**
Share-based payments	-	-	1,112,187	-	-	1,112,187
Exercise of stock options	2,530,000	1,404,014	(480,614)	-	-	923,400
Exercise of share purchase warrants	18,977	11,386	-	-	-	11,386
Private placement - May 16, 2016 *(Note 14b)*	46,531,739	27,919,046	-	-	-	27,919,046
Share issuance costs - May 16, 2016	-	(1,224,203)	-	-	-	(1,224,203)
Private placement - September 22, 2016 *(Note 14b)*	8,759,550	7,708,403	-	-	-	7,708,403
Share issuance costs - September 22, 2016	-	(439,534)	-	-	-	(439,534)
Convertible debenture - equity portion *(Note 11)*	-	-	-	393,323	-	393,323
Convertible debenture - issuance costs *(Note 11)*	-	-	-	(17,760)	-	(17,760)
Deferred income tax on convertible debenture *(Note 11)*	-	-	-	(97,646)	-	(97,646)
Net loss and comprehensive loss for the year	-	-	-		(4,891,453)	(4,891,453)
Balance - December 31, 2016	**173,331,713**	**$ 103,973,121**	**$ 13,289,077**	**$ 277,917**	**$ (44,154,335)**	**$ 73,385,780**

				2015		
	Shares	Share Capital	Contributed Surplus	Convertible Debenture	Deficit	Total equity
Balance - January 1, 2015	**113,559,001**	**$ 68,072,249**	**$ 12,539,141**	**$ -**	**$ (36,137,676)**	**$ 44,473,714**
Share-based payments	-	-	640,123	-	-	640,123
Settlement of contingent shares	1,932,446	521,760	(521,760)	-	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(3,125,206)	(3,125,206)
Balance - December 31, 2015	**115,491,447**	**$ 68,594,009**	**$ 12,657,504**	**$ -**	**$ (39,262,882)**	**$ 41,988,631**

Atlantic Gold Corporation

Consolidated Statements of Cash Flows
For the Years Ended December 31
(Expressed in Canadian Dollars)

		2016		*2015*
Cash used in operating activities				
Net loss and comprehensive loss for the year	**$**	**(4,891,453)**	$	(3,125,206)
Deferred income tax recovery *(Note 15)*		**(421,679)**		-
Amortization		**85,858**		43,535
Impairment of property, plant and equipment		**-**		36,681
Share-based payments		**948,733**		535,819
Interest and other income		**(145,931)**		(129,431)
Net changes in non-cash working capital:				
Receivables		**268,108**		59,513
Inventory		**(201,285)**		-
Due from related party		**271**		48,047
Prepaid expenses and deposits		**(39,575)**		96,632
Accounts payable and accrued liabilities		**115,170**		(254,698)
Due to related parties		**300,986**		298,193
Net cash used in operating activities		**(3,980,797)**		(2,390,915)
Investing activities				
Property, plant and equipment		**(46,170,842)**		(28,651)
Mineral property expenditures		**(12,973,671)**		(5,216,879)
Restricted cash - Surety bond, letter of credit *(Note 9)*		**(2,744,000)**		-
Interest received		**107,282**		133,735
Net cash used in investing activities		**(61,781,231)**		(5,111,795)
Financing activities				
Proceeds from stock option exercise		**923,400**		-
Proceeds from exercise of share purchase warrants		**11,386**		-
Proceeds from Project Loan Facility *(Note 10)*		**34,000,000**		-
Project Loan Facility transaction costs *(Note 10)*		**(4,258,383)**		-
Project Loan Facility interest payments *(Note 10)*		**(297,823)**		-
Proceeds from convertible debenture (*Note 11*)		**13,000,000**		-
Convertible debenture transaction costs *(Note 11)*		**(586,974)**		-
Convertible debenture interest payments *(Note 11)*		**(567,637)**		-
Restricted cash - DSRA *(Note 9)*		**(593,346)**		-
Restricted cash - Proceeds account *(Note 9)*		**(6,000,000)**		-
Finance lease payments and transaction costs		**(1,688,616)**		-
Proceeds from private placement *(Note 14b)*		**37,116,573**		-
Private placement issuance costs *(Note 14b)*		**(1,663,737)**		-
Net cash provided in financing activities		**69,394,843**		-
Increase (decrease) in cash and cash equivalents		**3,632,815**		(7,502,710)
Cash and cash equivalents, beginning of year		**10,764,172**		18,266,882
Cash and cash equivalents, end of year	**$**	**14,396,987**	$	10,764,172
Cash and cash equivalents comprise the following:				
Cash	**$**	**14,338,812**	$	439,703
GIC		**58,175**		10,324,469
Non cash investing and financing activities				
Lease obligation		**10,695,746**		-
Accretion charge on lease obligation		**230,687**		-

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

1. Nature of operations

Atlantic Gold Corporation (the "Company") is a company listed on the TSX Venture Exchange with a registered office at Suite 3083, Three Bentall Centre, 595 Burrard Street, Vancouver, B.C. Canada. The Company's registered/records office is located at 10th Floor - 595 Howe Street, Vancouver, B.C., Canada.

The Company is focusing on advancing the development of its Nova Scotia properties, including its Moose River Consolidated Project ("MRC Project"), Cochrane Hill and Fifteen Mile Stream gold projects, as well as continuing to actively review potential acquisitions and investment opportunities.

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and under the historical cost convention. The accounting policies followed in these consolidated financial statements have been consistently applied in all periods presented.

These consolidated financial statements were approved by the board of directors on April 27, 2017.

3. Significant accounting policies

The significant accounting policies used to prepare these consolidated financial statements are outlined as follows:

Consolidation

The Company's consolidated financial statements are prepared in accordance with IFRS, and include the accounts of the Company and its subsidiaries, which are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date that control commences until the date that control ceases.

The principal subsidiaries of the Company, all of which are 100% owned, and their countries of incorporation are as follows:

Subsidiary	Location
Atlantic Gold Pty Ltd.	Australia
Atlantic Gold Exploration Pty. Ltd.	Australia
Atlantic Mining NS Corp. (previously "DDV Gold Ltd.")	Canada
Acadian Mining Corp.	Canada
Annapolis Properties Corp.	Canada
6179053 Canada Inc.	Canada
6927629 Canada Corp.	Canada

All inter-company transactions and accounts have been eliminated on consolidation.

3. Significant accounting policies (continued)

Reporting in Canadian dollars and foreign currency translations

i. Functional and presentation currency

The functional and presentation currency for the Company and each of its subsidiaries is the Canadian dollar, as this is the currency of the primary economic environment in which the entities operate.

ii. Transactions and balances

Monetary assets and liabilities are translated at period-end exchange rates and items included on the consolidated statements of loss and comprehensive loss and cash flows are translated at rates in effect at the time of the transaction. Non-monetary assets and liabilities are translated at historical rates. The gain or loss on translation is charged to the consolidated statement of income (loss) and comprehensive income (loss).

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, term deposits and short-term highly liquid investments at Canadian financial institutions with an original term to maturity of 90 days or less, which are readily convertible to known amounts of cash at any time without penalty and which, in the opinion of management, are subject to an insignificant risk of changes in value. Such financial assets are stated at their respective fair values at inception and subsequently at amortized cost. During the year ended December 31, 2016, cash and cash equivalents earned interest of up to 1.10% per annum (2015: 1.10% per annum).

Mineral properties

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition costs are capitalized and deferred until such time as the property is put into production or the property is disposed of, either through sale or abandonment, or becomes impaired. If a property is put into production, the cost of acquisition will be depleted over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be offset against the carrying value of the property. If a property is abandoned, the acquisition costs will be written off to operations. Recorded costs of mineral properties are not intended to reflect present or future values of the properties. The recorded costs may be subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amounts. Although the Company has taken steps that it considers adequate to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title.

Once the rights to explore an area have been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation and classified as a component of mineral properties. Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential. Once the technical feasibility and commercial viability of extracting a mineral reserve for a particular property are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

3. Significant accounting policies (continued)

Impairment of mineral properties

Mineral properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is calculated as the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Evaluating for recoverability during the exploration and evaluation phase requires judgment in determining whether future economic benefits from future exploitation, sale or otherwise are likely. Evaluations may be more complex where activities have not reached a stage which permits a reasonable assessment of the existence of reserves or resources. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of geological, geophysical and seismic data, the Company's financial ability to continue exploration and evaluation activities, the impact of government legislation and political stability in the region, and the impact of current and expected future gold prices on potential reserves.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Share-based payments

Share-based payments to employees and others providing similar services are measured at the fair value of the instruments issued and amortized over the vesting periods. Other share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus, the account used to record any share-based payments related to convertible securities of the Company.

Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus amount is transferred to share capital.

Earnings (loss) per common share

The basic earnings (loss) per share is computed by dividing the earning (loss) by the weighted average number of common shares outstanding during the year. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding during the year, if exercised. For this purpose, the "treasury stock method" is used whereby the assumed proceeds upon the exercise of stock options and warrants are used to purchase common shares at the average market price during the year. Although the Company had exercisable options and convertible debentures that were in the money at December 31, 2016, the exercising of these options and the conversion of the debentures, would have an anti-dilutive impact on the Basic earnings (loss) per share due to the loss position of the Company.

3. Significant accounting policies (continued)

Current and deferred income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

The Company follows the asset and liability method for accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. The deferred tax assets or liabilities are calculated using the tax rates enacted or substantially enacted for the periods in which the differences are expected to be settled. Deferred tax assets are recognized to the extent that they are considered more likely than not to be realized.

Financial Instruments

The Company classifies its financial instruments in the following categories: at fair value through profit and loss, loans and receivables, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition. Where the Company expects to realize the asset, or discharge the liability within 12 months, it is recorded as a current asset or liability; otherwise, it is recorded as a long-term asset or liability.

Financial assets and liabilities at fair value through profit and loss are considered to be held for trading. A financial asset or liability classified in this category has been acquired principally for the purpose of selling or redeeming in the short-term. Derivatives are included in this category unless they are designated as hedges.

Financial assets and liabilities carried at fair value through profit and loss are initially recognized at fair value and are subsequently re-measured to their fair value at each balance sheet date. Realized and unrealized gains and losses arising from changes in the fair value of these financial assets or liabilities are included in the consolidated statement of income (loss) and comprehensive income (loss) in the period in which they arise.

Available-for-sale financial assets are non-derivatives that are either designated as available for sale or not classified in any of the other categories. Available-for-sale assets are initially recorded at fair value plus transaction costs and are subsequently carried at fair value. Unrealized gains and losses arising from changes in the fair value of non-monetary assets classified as available-for-sale are recognized in other comprehensive income.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Other financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received (net of transaction costs) and the redemption value is recognized in the consolidated statement of loss over the period to maturity using the effective interest method.

3. Significant accounting policies *(continued)*

Financial instruments – fair value
The fair value hierarchy under which the Company's financial instruments are valued is as follows:

- Level 1 includes unadjusted quote prices in active markets for identical assets or liabilities;
- Level 2 includes inputs other than quoted prices included in Level 1 that are observable for the assets or liability;
- Level 3 includes inputs for the asset or liability that are not based on observable market data.

Accounting policies recently adopted

Property, plant and equipment

i. Mine property – construction and development

Mine property consists of development costs carried at cost, less accumulated depletion and accumulated impairment losses, and costs recorded for assets under construction. Costs of project development are capitalized to mine property within property, plant and equipment. Once the mineral property is in production, it will be depleted using the units-of-production method. Depletion is determined each period using gold equivalent ounces mined over the asset's estimated recoverable reserves. Costs recorded for assets under construction are capitalized as construction is in progress. On completion, the cost of construction is transferred to the appropriate category of property, plan and equipment. No depreciation is recorded until assets are substantially complete and available for their intended use.

ii. Equipment

Equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Land is not depreciated. Depreciation is calculated at the following annual rates:

Equipment	straight-line 8%-50%
Capital Leases	straight-line 8%-25%
Leasehold improvements	over the term of the lease

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates each part separately. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. Depreciation of equipment used in the Company's exploration and development activities is capitalized to mineral properties.

3. Significant accounting policies *(continued)*

Accounting policies recently adopted *(continued)*

Restoration provision
A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, evaluation, development or ongoing production at a mineral property. A liability for an asset retirement obligation is recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made, with the corresponding asset retirement cost recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial value of the liability is accreted to its estimated future obligation. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Convertible debenture
The Company's convertible debenture is classified as a liability, less the portion relating to the conversion feature which is classified as a component of equity. As a result, the recorded liability to repay the convertible notes is lower than its face value. The liability was initially recorded at fair value and is subsequently carried at amortized cost using the effective interest rate method; the liability is accreted to the face value over the term of the convertible debenture, and is currently being capitalized to mine property within property, plant and equipment in accordance with the Company's policy for borrowing costs.

Deferred financing fees
Fees paid to establish credit facilities are recognized as transaction costs when it is likely that some or all of the credit facilities to which the fees are related will be drawn down. Transaction costs are deferred until the facility is arranged and draw-down occurs, at which time the deferred financing fees are offset against the proceeds of the credit facility.

Loan facilities and borrowing costs
Loan facilities are recognized initially at fair value, net of transaction costs incurred. Loan facilities are subsequently carried at amortized cost.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset until such time when the asset is substantially complete and ready for its intended use. Standby charges that are directly related to the undrawn portion of a loan facility, and which change based on the portion of the unused commitment at that time, are expensed as incurred. All other borrowing costs are expensed as incurred.

3. Significant accounting policies *(continued)*

Accounting policies recently adopted *(continued)*

Inventory
Material and supplies inventory are valued at the lower of average cost and net realizable value. Costs include acquisition, freight and other directly attributable costs. A regular review is undertaken to determine the extent of any provision for obsolescence.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the agreement at the inception date.

Finance leases

Leases that transfer substantially all the risks and rewards incidental to ownership of the leased item to the Company, as a lessee, are capitalized at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the lease liability.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, unless there is a reasonable certainty the lessee will obtain ownership of the asset by the end of the lease term, in which case the asset is depreciated.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership to the Company as a lessee are classified as operating leases. Operating lease payments are recorded as paid in the Company's consolidated statement of income (loss) and comprehensive income (loss). Lease payments made on equipment used in the Company's exploration and development activities are capitalized to mineral properties and property, plant and equipment during construction.

In addition to contracts which take the legal form of a lease, other significant contracts are assessed to determine whether, in substance, they are, or contain, a lease, if the contractual arrangement contains the use of a specific asset and the right to use that asset.

Flow-through shares
The issuance of flow-through common shares results in the tax deductibility of the qualifying resource expenditures funded from the proceeds of the sale of such shares being transferred to the purchasers of the shares. On the issuance of such shares, the Company bifurcates the flow-through shares into: a flow-through share premium, equal to the estimated premium that investors pay for the flow-through feature, which is recognized as a liability, and share capital. As the related exploration expenditures are incurred, the Company derecognizes the premium liability and recognizes a related income tax recovery.

4. Changes in accounting standards not yet effective

Financial Instruments

IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement that relate to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change for liabilities is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income (loss) rather than in net earnings. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management expects the adoption of IFRS 9 to have an impact on the carrying value of its available-for-sale financial asset.

Revenue

IFRS 15, Revenue from Contracts with Customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue and IAS 11, Construction contracts and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management intends to adopt IFRS 15 effective January 1, 2017 and upon declaration of commercial production, revenue generated from operations at the Touquoy will be accounted for under the new standard. Management will assess the impact of IFRS 15 on all sales agreements executed prior to commercial production.

Leases

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16") which replaces International Accounting Standard ("IAS") 17 – Leases and its associated interpretive guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. IFRS 16 will result in an increase in assets and liabilities as fewer leases will be expensed as payments are made. Management expects an increase in depreciation expenses and also an increase in cash flow from operating activities as these lease payments will be recorded as financing outflows in the cash flow statement.

5. Critical accounting estimates and judgements

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are regularly evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the consolidated financial statements that could result in a material effect in the next financial year on the carrying amounts of assets and liabilities:

Determination of commercial viability and technical feasibility of the Touquoy Gold Project ("Touquoy")

The application of the Company's accounting policy for mineral property development costs required judgement to determine when technical feasibility and commercial viability of Touquoy was demonstrable. The Company considered the positive National Instrument ("NI") 43-101 compliant Feasibility Study, the receipt of key environmental permits, and the completed construction financing and concluded that commercial viability and technical feasibility of Touquoy had been achieved. Accordingly, effective May 10, 2016, the Company commenced capitalization of all direct costs related to the development of Touquoy, and reclassified capitalized costs from mineral properties to property, plant and equipment, and tested for impairment.

Restoration provision

The Company has recorded a restoration provision which reflects the present value of the estimated amount of undiscounted cash flows required to satisfy the asset retirement obligation in respect of Touquoy.

Future remediation costs are accrued at the end of each period based on management's best estimate of the undiscounted cash costs required for future remediation activities. The initial provisions are periodically reviewed during the life of the operation and updated to reflect new developments or changes in estimates and forecasts. Changes in estimates are reflected in the period during which an estimate is revised. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs to be incurred to complete the reclamation and remediation work which is required to comply with existing laws, regulations and constructive obligation. Reclamation costs are a normal consequence of mining, and the majority of closure and reclamation expenditures are incurred near the end of the life of the mine. The initial reclamation provisions, together with changes, are capitalized within property, plant and equipment and depreciated over the lives of the assets to which they relate.

The ultimate magnitude of these costs is uncertain, and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new reclamation techniques, and local inflation rates. The expected timing of expenditure can also change, for example, in response to changes in mineral reserves or production rates, timing of planned restart of operations or economic conditions. As a result, there could be significant adjustments to the provision for reclamation, which would affect future financial results.

5. Critical accounting estimates and judgements *(continued)*

Hedge facility – own use

Contracts to buy or sell a non-financial item, such as a commodity, that can be settled net in cash or another financial instrument fall under the scope of IAS 39 and are accounted for as derivatives and marked to market through the consolidated statement of loss and comprehensive loss. However, certain criteria exist whereby a contract may fall under an 'own use' exemption, and be exempt from the requirements of IAS 39. The determination of the Company's accounting for its gold hedging contracts (Note 10(b)) requires judgment to determine whether the contracts meet the requirements of 'own use'. An 'own use' contract is a contract that was entered into and continues to be held for the purpose of the delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements. In the case of the Company's gold hedging contracts, the Company plans to settle the hedging contracts through the delivery of its own gold production, and therefore, these contracts result in the physical delivery of a commodity, and as per the Project Loan Facility ("PLF" and defined in Note 10a), there is a specified schedule whereby the Company will be required to deliver a set number of ounces. While the Company is neither currently in production nor a company with a history of gold mining production, the Company determined, based on the Company's current life of mine plan, that the production of ore will be sufficient to fulfill the physical delivery requirements of the hedge contracts based on the agreed schedule within the PLF.

Convertible debenture

Measurement of the fair value of the liability component of the convertible debenture (Note 11) includes estimates of (i) the amount and timing of cash flows, and (ii) the Company's cost of debt. Actual results may differ from these estimates.

Mineral property impairment assessment

In accordance with the Company's accounting policy, each asset is evaluated every reporting period to determine whether there are any indicators of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at the higher of value in use and fair value less costs of disposal. The most significant assets assessed for impairment include the carrying value of the Company's deferred exploration expenditures and mineral property interests.

During the year, the Company reclassified capitalized costs associated with Touquoy from mineral property exploration costs under IFRS 6 (Note 8) to mine property construction and development costs within property, plant and equipment. At the time of the transition from exploration and evaluation to property, plant and equipment, the Company completed an impairment test as required by IFRS 6. The impairment test compared the carrying amount of Touquoy to its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs of disposal. The Company estimated the recoverable amount based on the fair value less costs of disposal using a discounted cash flow model with feasibility study economics. The significant assumptions that impacted the resulting fair value include future gold prices, exchange rates, capital cost estimates, operating cost estimates, estimated reserves and resources and the discount rate. Upon completion of the impairment tests, the Company concluded that there was no impairment.

5. Critical accounting estimates and judgements *(continued)*

Mineral property impairment assessment (*continued*)

The application of the Company's accounting policy for its exploration and evaluation assets requires judgment to determine whether the future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. There is no certainty that the expenditures made by the Company in the exploration of its property interests will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks which even a combination of professional evaluation and management experience may not eliminate. If, after expenditures are capitalised, information becomes available suggesting that the recovery of such expenditure is unlikely, the relevant capitalised amount is written off in the consolidated statement of loss in the period when the new information becomes available.

Available-for-sale financial asset

Management owns shares in a privately held company, which is accounted for as an available-for-sale financial instrument and is included in other long-term financial assets on the balance sheet. Judgment has been made by management to carry its available-for-sale financial instrument at cost as opposed to fair market value, as the fair value cannot be reliably measured.

6. Receivables

		2016		***2015***
Input tax credits	**$**	**3,420,469**	$	233,956
NSDNR security for settlement of expropriated properties		**206,698**		206,698
Interest and other receivables		**46,418**		72,865
	$	**3,673,585**	$	513,519

The receivable from the Nova Scotia Department of Natural Resources ("NSDNR") relates to security held by the NSDNR in respect of certain expropriated properties acquired in order to facilitate mining activities by the Company. The security will be refunded once payment for the expropriated lands by the Company has been made. The Company remains in discussions with the previous land owners in respect of a negotiated settlement payment. The Company has estimated and accrued a payment amount it believes will be required to settle the amounts within accounts payable and accrued liabilities.

7. Property, plant and equipment

	Mine Property - Construction and Development	*Capital leases*	*Equipment*	*Land*	*Total*
At December 31, 2015					
Cost	$ -	$ -	$ 251,052	$4,299,805	$ 4,550,857
Accumulated depreciation	-	-	(139,731)	-	(139,731)
Net book value	**-**	**-**	**111,321**	**4,299,805**	**4,411,126**
Year ended December 31, 2016					
At January 1, 2016	-	-	111,321	4,299,805	$ 4,411,126
Reclassification from mineral properties	23,005,766	-	-	-	23,005,766
Reclamation provision *(Note 12)*	1,581,624	-	-	-	1,581,624
Borrowing costs *(Note 10, 11, 13)*	1,719,263	-	-	-	1,719,263
Additions	53,265,638	11,256,529	1,396,555	10,000	65,928,723
Depreciation for the year	-	(708,273)	(132,961)	-	(841,234)
Closing net book value	**79,572,293**	**10,548,256**	**1,374,915**	**4,309,805**	**95,805,269**
At December 31, 2016					
Cost	79,572,293	11,256,529	1,647,607	4,309,805	$96,786,233
Accumulated depreciation	-	(708,273)	(272,692)	-	(980,965)
Net book value	**$ 79,572,293**	**$ 10,548,256**	**$ 1,374,915**	**$4,309,805**	**$95,805,269**

Effective May 10, 2016, the Company commenced capitalization of all direct costs related to the development of Touquoy to property, plant and equipment under IAS 16, as management determined that the technical feasibility and commercial viability of the project had been established as evidenced by board approval and project financing. Accordingly, the Company reclassified capitalized costs associated with Touquoy from mineral property exploration costs under IFRS 6 (Note 8) to mine property construction and development costs within property, plant and equipment. Capitalized mineral property costs will be carried at cost until Touquoy is placed in commercial production, sold, abandoned, or determined by management to be impaired in value.

At the time of the transition from exploration and evaluation to property, plant and equipment, the Company completed an impairment test as required by IFRS 6. The impairment test compared the carrying amount of Touquoy to its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs of disposal. The Company estimated the recoverable amount based on the fair value less costs of disposal using a discounted cash flow model with feasibility study economics. The significant assumptions that impacted the resulting fair value include future gold prices, exchange rates, capital cost estimates, operating cost estimates, estimated reserves and resources and the discount rate. Upon completion of the impairment tests, the Company concluded that there was no impairment.

The Company's effective ownership interest in Touquoy is 63.5%. The Company is entitled to recover all operational, overhead, financing and sunk costs prior to any distributions to its non-public partner, in the project. The Company has an option to purchase the interest in Touquoy from its non-public partner at fair market value after the later of a) 18 months of commercial production at Touquoy, and b) the point where 3,000,000 tonnes of Touquoy ore has been processed, provided that at the date of notice to commence the option process, the 30-day average spot price of gold is at least CAD $1,400/oz. A net smelter return royalty ("NSR") of 3% is also payable in respect of Touquoy, two-thirds of which can be purchased for $2.5 million. The Company expects to exercise this buy-back option. Touquoy is also subject to a 1% royalty payable to the government of Nova Scotia, a requirement for all operating mines in the province.

8. Mineral properties – Nova Scotia

	2016				
	Beaver Dam	*Touquoy*	*Cochrane Hill*	*Fifteen Mile Stream and Other*	*Total*
Acquisition Costs beginning of year	**$ 1,134,791**	**$ 10,035,517**	**$ 2,278,597**	**$ 6,321,884**	**$ 19,770,789**
Reclassification to property, plant and equipment *(Note 7)*	-	(10,035,517)	-	-	(10,035,517)
Acquisition costs end of year	1,134,791	-	2,278,597	6,321,884	9,735,272
Cumulative exploration costs - beginning of year	**$ 4,025,390**	**$ 3,173,012**	**$ 288,020**	**$ 373,475**	**$ 7,859,897**
Engineering	-	8,777,406	-	-	8,777,406
Salaries & Consulting Fees	137,741	364,621	321,882	110,079	934,323
Environmental	455,082	129,751	22,240	-	607,073
Construction & Development	-	216,452	-	-	216,452
Permitting & claims	24,778	134,537	13,640	274,762	447,717
Office & administration	138,823	21,001	2,432	3,708	165,964
Assays & Metallurgy	2,406	28,115	230,459	86,559	347,539
Travel & Accomodation	-	44,147	4,107	1,737	49,991
Drilling & Fieldwork	4,598	73,005	1,106,728	187,786	1,372,117
Equipment & Supplies	1,094	8,202	163,233	32,750	205,279
Other	-	-	-	950	950
Exploration expenditures for the year	764,522	9,797,237	1,864,721	698,331	13,124,811
Reclassification to property, plant and equipment (Note 7)	-	(12,970,249)	-	-	(12,970,249)
Cumulative exploration costs - end of year	**$ 4,789,912**	**$ -**	**$ 2,152,741**	**$ 1,071,806**	**$ 8,014,459**
Grand total - mineral properties	**$ 5,924,703**	**$ -**	**$ 4,431,338**	**$ 7,393,690**	**$ 17,749,731**

	2015				
	Beaver Dam	*Touquoy*	*Cochrane Hill*	*Fifteen Mile Stream and Other*	*Total*
Acquisition Costs beginning and end of year	**$ 1,134,791**	**$ 10,035,517**	**$ 2,278,597**	**$ 6,321,884**	**$ 19,770,789**
Cumulative exploration costs - beginning of year	**1,751,395**	**160,200**	**125,591**	**159,762**	**2,196,948**
Permitting & claims	32,148	179,968	13,480	158,669	384,265
Drilling & Fieldwork	173,788	793,416	-	15,523	982,727
Feasibility Studies	175,183	486,554	36,928	-	698,665
Environmental & Geology	371,571	372,311	111,750	8,247	863,879
Salaries	435,463	239,318	-	8,610	683,391
Consulting	385,760	404,575	-	14,341	804,676
Assays & Metallurgy	425,281	341,940	-	6,144	773,365
Equipment & Supplies	42,774	178,434	-	2,139	223,347
Travel & Accomodation	49,212	15,361	-	-	64,573
Office & administration	168,783	935	271	40	170,029
Other	14,032	-	-	-	14,032
Exploration expenditures for the year	2,273,995	3,012,812	162,429	213,713	5,662,949
Cumulative exploration costs - end of year	**$ 4,025,390**	**$ 3,173,012**	**$ 288,020**	**$ 373,475**	**$ 7,859,897**
Grand total - mineral properties	**$ 5,160,181**	**$ 13,208,529**	**$ 2,566,617**	**$ 6,695,359**	**$ 27,630,686**

The Company has 100% ownership in its Beaver Dam, Cochrane Hill and Fifteen Mile Stream deposits.

9. Restricted cash

The restricted cash balance includes $6,000,000 held in respect of requirements under the Company's PLF (as defined in Note 10a), whereby the Company is required to maintain a minimum balance of $6,000,000 in a bank account until the PLF is repaid. A balance of $2,744,000 represents 80% of a $3.43 million reclamation performance bond that was issued by way of a surety bond on May 26, 2016 (the "Surety Bond"), through the Company's wholly owned subsidiary Atlantic Mining NS Corp. ("Atlantic Mining"), and a surety provider. The $3.43 million is the first installment of a $10.4 million phased reclamation security in respect of Touquoy. The phased approach ensures that adequate security is in place before each phase of disturbance, construction and operation at Touquoy. The total $10.4 million financial security is to be posted in full by December 31, 2019 (Note 18).

The surety provider secured the Surety Bond by a line of credit with the Bank of Montreal ("BMO") at 80% of the value of the required level of the reclamation performance bond ($2,744,000). As part of the line of credit, BMO required that 100% of the line of credit be collateralized by way of a restricted guaranteed investment certificate ("GIC"). The restricted GIC has a maturity date of May 19, 2017, and earns interest at 1.35% per annum.

The remaining $593,346 balance is cash held in respect of the Company's Debt Service Reserve Account ("DSRA") under its Equipment Facility (Note 13), whereby the Company is required to maintain an amount equal to 100% of one quarterly payment in respect of all leases under the Equipment Facility. The DSRA is to be maintained up to and including three months after Project Completion (as defined below in Note 10).

10. Long-term debt

a. Project Loan Facility

		2016		*2015*
Loan proceeds	**$**	**34,000,000**	$	-
Deduct: transaction costs		**(1,262,093)**		
Add: accrued interest		**91,716**		-
	$	**32,829,623**	$	-

On May 6, 2016, the Company, through Atlantic Mining, executed a syndicated project facility agreement (the "Credit Agreement") in respect of a $115 million Project Loan Facility ("PLF") to fund construction costs of the Company's MRC Project.

The PLF carries an interest rate of the Canadian Dealer Offered Rate ("CDOR") plus a 5% margin (pre-Project Completion), reducing to a margin of 4.5% post-Project Completion, and is repayable in quarterly installments over three years' post commencement of construction. Project Completion is when physical construction of all project facilities has been completed in accordance with the terms of the PLF, and the Company has achieved continuous production at Touquoy whereby the plant throughput reaches an average of 5,400 tonnes per day for 10 consecutive days.

10. Long-term debt *(continued)*

a. Project Loan Facility *(continued)*

The first drawdown of $20,000,000 occurred in September 2016, followed by a second drawdown of $14,000,000 in November 2016. The availability of the remainder of the PLF for drawdown is subject to the satisfaction of a number of routine and administrative conditions precedent for facilities of this nature. The PLF is also secured through guarantees and a first ranking charge on all assets of the Company and each of its material subsidiaries. There is also a standby fee of 1.5% per annum, payable quarterly in arrears, on the daily undrawn principal amount of the PLF during the availability period.

The Company's PLF contains certain project covenants as well as a working capital ratio, calculated quarterly. In negotiations on the terms of the PLF it was the Company's intention for the working capital ratio to only apply to the period following commissioning as the mechanics of a working capital ratio under the agreement can be materially impacted by timing differences between construction costs that are incurred and classified as current liabilities and the loan drawdowns under the PLF as scheduled from time to time as required for payment of creditors particularly around balance sheet dates. Compliance with the working capital ratio can only be accurately calculated upon finalizing the financial statements, which occurs subsequent to the balance sheet date, and accordingly there will be times when non-compliance cannot be known until well after the balance sheet date. As a result of discussions in early 2017 with the PLF lenders, the requirement for compliance with a working capital ratio during construction was agreed as not necessary, and on April 25, 2017, it was agreed that any breach of this covenant was technical in nature and is waived for all of the year 2017, being the expected remaining period of construction of Touquoy.

At the balance sheet date, the Company was not in compliance with the working capital ratio. This non-compliance was waived subsequent to year end. IAS 1 states that unless any waiver to a breach of covenant has been obtained at the relevant balance sheet date then the loan must be classified as current. Because this waiver and clarification of the applicability of this ratio was not obtained until after the balance sheet date, the PLF and any debt facility with cross defaults are technically caught by the same issue, and have therefore been classified as current.

Furthermore, because this waiver and clarification for 2017 was not obtained until April 25, 2017 it is likely the same treatment will prevail for the period ending March 31, 2017.

This is a significant variation to the accounting standard under Canadian GAAP, prior to the adoption of IFRS, whereby if a waiver was subsequently obtained after the balance sheet date, the default was deemed remedied and such indebtedness would remain classified as a non-current liability.

As at December 31, 2016, the Company had incurred $4,648,383 (2015 – nil) in transaction costs which consisted primarily of legal and advisory fees, and other financing expenses with respect to the PLF described above. Transaction costs have been recorded proportionately against the amount drawn on the PLF, and will be amortized over the repayment period of each respective drawdown using the effective interest rate method.

10. Long-term debt *(continued)*

a. Project Loan Facility *(continued)*

For the year ended December 31, 2016, standby fees of $1,045,208 were recorded in the Company's consolidated statement of loss and comprehensive loss, and interest of $389,538 and amortization of deferred finance charges of $112,212 were capitalized to borrowing costs (note 7).

On September 30, 2016, the Company signed an amendment to the Credit Agreement, to amend certain definitions within the Credit Agreement as well as the PLF repayment schedule. The Company may prepay all or part of the principal balance outstanding at any time without penalty. As at December 31, 2016, the Company is committed to interest payments and minimum future principal payments for the PLF, assuming that the remaining $81 million is drawn, as follows:

2017	4,707,000
2018	33,388,000
2019	57,062,000
2020	33,822,000
	$ 128,979,000

b. Hedge Facility

In order to mitigate gold price risk and as a condition of the PLF, the Company is required to enter into margin free gold forward sales contracts of 215,000 ounces at a minimum Canadian dollar forward price of $1,500. In August 2016, the Company finalized and scheduled out its hedged contracts at a flat forward price of $1,550 per ounce (the "Hedge Facility") to be delivered during production.

For accounting purposes, management has determined that the Hedge Facility meets the requirements of 'own use', and thereby is thereby exempt from the requirements of IAS 39. An 'own use' contract is a contract that was entered into and continues to be held for the purpose of the delivery of the non-financial item in accordance with the Company's expected purchase, sale or usage requirements, that is, it will result in the physical delivery of a commodity, and as per the PLF agreement, there is a specified schedule whereby the Company will be required to deliver the produced ounces. As a result, the Hedge Facility is not considered a derivative and is not marked to market at each reporting period, and recognition is deferred until settlement and delivery of the gold.

11. Convertible debenture

On May 10, 2016, the Company completed a non-brokered financing of $13 million by way of issuance of convertible debentures (the "Debentures"). The Debentures carry an interest rate of 8.5%, with the principal payment due on the later of (a) May 10, 2021 and (b) the date that is the earlier of (i) six months after the final maturity date of the Company's $115 million PLF (Note 10) and (ii) May 30, 2022. The principal amount of the Debentures is convertible at the subscriber's option into common shares of the Company at a conversion price of $0.60 per share, representing a 20% premium to the closing trading price of the common shares of the Company, prior to the date the financing was originally announced. Accrued interest will also be convertible at the subscriber's option into common shares of the Company but at the market price of the shares at the time of conversion.

11. Convertible Debenture *(continued)*

The Company may prepay, with notice, all of the principal amount of the Debenture and all accrued and unpaid interest thereon at any time following May 10, 2018. The Debentures are convertible at any time, at the subscriber's option, and are secured by way of a charge against all existing assets of the Company and its material subsidiaries, subordinated to the lenders of the PLF (Note 10).

For accounting purposes, the Debentures are separated into their liability and equity components by first valuing the liability component. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the Debenture assuming a 10% interest rate, which was the estimated rate for a similar debenture without a conversion feature. Repayment of the Debentures were assumed to occur on May 10, 2018. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the Debentures and the fair value of the liability component, less a deferred income tax adjustment to reflect the book to tax difference in value of the Debentures at the time of issuance. As the Company has excess tax assets to offset the deferred tax liability, which was created from the book to tax difference in value of the Debentures, the deferred tax liability was reversed, resulting in a deferred tax recovery of $97,646.

Issuance costs of $586,974 were incurred and have been recorded pro rata against the liability and equity components. The liability balance of the issuance costs will be amortized over the life of the debenture, and capitalized as borrowing costs to mine property within property, plant and equipment until the earlier of the life of the Debenture and the commencement of commercial production of Touquoy, after which point the amortization of the issuance costs will be recorded within the statement of loss and comprehensive loss. Accretion expense for the year ended December 31, 2016 was $986,091 (2015: nil) and has been capitalized as borrowing costs to mine property within property, plant and equipment.

	Liability component	*Equity component*	*Total*
Opening balance - January 1, 2016	$ -	$ -	$ -
Issued - amount at date of issue (May 10, 2016)	12,606,677	393,323	13,000,000
Issuance costs allocated	(569,214)	(17,760)	(586,974)
Deferred income tax liability	-	(97,646)	(97,646)
Amortization of issuance costs	166,211	-	166,211
Accretion expense	819,880	-	819,880
Interest payments	(567,637)	-	(567,637)
Balance - December 31, 2016	**$ 12,455,917**	**$ 277,917**	**$ 12,733,834**

The Debenture agreements contain a cross- default provision, whereby an event of default with respect to the PLF, triggers a default under the Debentures. An event of default provides the Debenture holders with the ability to call on the entire unpaid principal amount plus all accrued and unpaid interest. As discussed in Note 10, as at December 31, 2016, the Company was not in compliance with a working capital covenant of the PLF. This non-compliance was waived subsequent to year end, and on April 25, 2017, it was agreed with the PLF lenders that any breach of this covenant was waived for all of the year 2017, being the expected remaining period of construction of Touquoy. Under the Debenture agreements, a waiver provided by the PLF lenders, is a deemed waiver under the Debentures. Although there was no change in the Company's repayment schedules, the full amount of the convertible debenture is required to be recognized as current under IAS 1.

12. Reclamation provision

The Company has recorded a liability for remediation of current and past disturbances associated with the exploration and development activities at the MRC Project. At December 31, 2016, the reclamation provision was estimated at $1,581,624 (2015: nil). The reclamation costs have been calculated to reflect the amount of expected cash flows for the disturbances incurred as at December 31, 2016. The Company applied a discount rate of 1.7% (the risk-free rate) and an inflation rate of 2.0% in calculating the estimated obligation. The liability for remediation on an undiscounted basis is $1,829,360.

13. Lease obligation

On May 26, 2016, the Company executed a definitive Master Lease Agreement in respect of a $20 million mining fleet equipment lease facility (the "Equipment Facility") to fund the Company's acquisition of mining equipment for the Company's MRC Project. The term of the Equipment Facility is five years from delivery, and the facility is secured by the mining fleet. Title to the mining fleet will transfer to the Company at the completion of the Equipment Facility.

During the year ended December 31, 2016, the Company entered into 16 equipment lease contracts which form part of the $20 million Equipment Facility which was executed on May 26, 2016. The equipment lease contracts are accounted for as finance leasing contracts under IAS 17. As at December 31, 2016, the Company recognized $10,695,747 as a finance lease obligation, which was included as a non-cash addition to equipment within property, plant and equipment, with a corresponding amount recognized as a finance lease obligation. Direct transaction costs of $560,722 have been added to the cost base of the leased assets. Lease payments under the Equipment Facility are payable on a quarterly basis and comprise principal payments and interest, interest being CDOR plus 5.35%. The lease payment schedule is thus amended for each 90-day period to reflect increases or decreases to CDOR. The Company incurred principal payments of $1,127,894 during the year ended December 31, 2016 (2015: nil). Total finance expenses incurred during the year were $230,687 (2015: nil), which have been capitalized to mine property within property, plant and equipment.

The Equipment Facility is also subject to a standby fee of 1.0% per annum, payable quarterly in arrears, commencing the date the Master Lease Agreement was executed. For the year ended December 31, 2016, standby fees of $79,126 were recorded in the Company's consolidated statement of loss on the undrawn amount of the Equipment Facility.

13. Lease obligation *(continued)*

The Company is required to maintain certain project covenants as well as a working capital ratio, calculated quarterly. Additionally, similar to the Debentures, there is a cross-default clause whereby an event of default with respect to the PLF triggers a default under the Equipment Facility. An event of default entitles the lessor to provide written notice to the Company to terminate all lease agreements. Upon such notice, the debtor at their option may require the Company to return the leased equipment to the lessor, and in addition, the Company may be required to pay on demand an amount equal to the aggregate of all unpaid rental payments payable at the termination date, all future rent payments that would be payable up to the last day of the lease period, and any costs and expenses incurred by the lessor in locating, repossessing, recovering, restoring, re-leasing or re-selling the leased equipment. As discussed above in Note 10, as at December 31, 2016, the Company was not in compliance with the working capital covenant of the PLF, which is the same covenant under the Equipment Facility. This non-compliance was waived subsequent to the balance sheet date. Further, on April 25, 2017, it was agreed with the PLF lenders that any breach of this covenant was waived for all of the year 2017, being the expected remaining period of construction of Touquoy. Within the Equipment Facility agreement, a waiver obtained from the PLF lenders constitutes a deemed waiver within the Equipment Facility. As the waiver was obtained subsequent to year end, the full lease obligation has been classified as current.

	2016
Opening balance	$ -
Present value of minimum lease payments	10,695,747
Deduct: Principal payments	(1,127,894)
Finance charge	230,687
Total obligations under finance lease	**$ 9,798,540**

Future minimum lease payments pursuant to the Company's finance leases remain as follows, despite the classification of the lease obligation as current:

	Up to 1 year	1-5 years	Total
Minimum lease payments	2,402,027	8,945,583	11,347,611
Finance charges	(564,830)	(984,240)	(1,549,069)
Total	**1,837,197**	**7,961,343**	**9,798,540**

14. Equity

a) Authorized share capital

Unlimited number of common shares without par value

Unlimited number of preferred shares without par value, issuable in series and with special rights and restrictions to be determined on issuance

b) Issued and fully paid common shares

On May 16, 2016, the Company completed a bought deal private placement financing for gross proceeds of $14,375,046 (the "Brokered Offering") through the issuance of 23,958,410 common shares of the Company at a price of $0.60 per share (the "Offering Price"). The Company also announced the completion of a non-brokered private placement financing for gross proceeds of $13,543,997 (the "Non-Brokered Offering"), through the issuance of 22,573,329 common shares of the Company at the Offering Price. In consideration for the services of the underwriters under the Brokered Offering, the underwriters received a cash commission equal to $862,503 (6% of the proceeds raised under the Brokered Offering). The Company paid finders fees in connection with the Non-Brokered Offering totalling $115,900.

On September 22, 2016, the Company completed a bought deal brokered private placement financing for gross proceeds of $5,747,700 through the issuance of 5,474,000 flow-through common shares of the Company at a price of $1.05 per share. At the same time, the Company announced a non-brokered private placement financing for gross proceeds of $3,449,828 through the issuance of 3,285,550 flow-through common shares of the Company. The Company incurred share issue costs in the amount of $439,534 in connection with the private placement. Funds raised via this private placement must be used for qualifying exploration expenditures by December 31, 2017. The Company used the residual method to record the tax deduction obligation of $1,489,124, which was recorded as other liability on the consolidated balance sheet.

c) Stock options

The Company uses the Black Scholes option pricing model to determine the fair value of stock options granted. The vesting period for options is 12.5% immediately with 12.5% each quarter over the following seven quarters.

Atlantic Gold Corporation Rolling Stock Option Plan

The Company's Rolling Stock Option Plan (2016) (the "Option Plan") was approved on November 24, 2016. Under the terms of the Option Plan, the Board may, from time to time, grant to employees, officers and directors of or consultants to the Company non-assignable options to acquire common shares ("Options") in such numbers and for such terms as may be determined by the Board.

The maximum number of common shares which may be issued shall not exceed 10% of the issued and outstanding common shares of the Company at the time of the granting of an Option. The number of common shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis.

14. Equity *(continued)*

c) Stock options (*continued)*

The exercise price of the Options granted under the Option Plan may not be less than the closing market price of the common shares at the grant date. The expiry date for each Option shall be set by the Board at the time of issue of the Option and shall not be more than 10 years after the grant date. The Options vest at the discretion of the Board. Options granted to consultants performing investor relations activities cannot exceed 2% of the issued shares of the Company in any 12-month period, and must vest over a minimum of 12 months with no more than 1/4 of the Options vesting in any 3-month period.

A summary of the changes in stock options is as follows:

	Number of Options outstanding	Weighted-average exercise price (in $)
Outstanding - January 1, 2015	7,373,700	0.38
Granted	3,940,000	0.26
Outstanding - December 31, 2015	11,313,700	0.34
Granted	4,025,000	0.53
Exercised	(2,530,000)	0.37
Outstanding - December 31, 2016	12,808,700	0.39
Exercisable - December 31, 2016	10,402,450	0.36

During the year ended December 31, 2016, the Company granted a total of 4,025,000 stock options to directors, officers, employees and consultants of the Company. The weighted average exercise of the options granted for the year ended December 31, 2016 was $0.53 per option (2015: 3,940,000 stock options granted with a weighted average exercise price of $0.26). The exercise price for the stock option grants was equal to the market price at the time of the grant. Total share based payments recognized during the year was $1,112,187 (2015: $640,123), with $948,733 recognized in the consolidated statement of loss and comprehensive loss (2015: $535,819), $163,454 capitalized to property, plant and equipment (2015: nil), and nil capitalized to mineral properties (2015: $104,304).

The following assumptions were used in the valuation of the stock options granted in the period:

Risk-free interest rate	0.69 - 0.83%
Expected life	6.75 years
Annualized volatility	70%
Dividend rate	0.00%
Forfeiture rate	0.00%

The risk-free rate for periods within the contractual term of the option is based on the Bank of Canada administered interest rates in effect at the time of the grant. The expected life of the options granted represents the period of time that the options granted are expected to be outstanding. Expected volatilities are based on historical volatilities of stock prices of comparable companies given the limited life of the Company as an exploration and development company. Expected forfeiture rates are based on historical forfeitures of stock options of the Company.

14. Equity *(continued)*

c) Stock options (*continued)*

The following table summarizes information about the options outstanding at December 31, 2016:

Number of Options	Exercise Price	Expiry Date	Number Exercisable
1,000,000	0.40	April 10, 2017	1,000,000
100,000	0.37	May 10, 2017	100,000
973,700	0.50	August 28, 2017	973,700
1,050,000	0.40	November 1, 2017	1,050,000
50,000	0.40	July 26, 2018	50,000
1,700,000	0.32	June 13, 2019	1,700,000
3,790,000	0.255	December 6, 2021	3,790,000
150,000	0.335	July 14, 2022	93,750
50,000	0.330	October 4, 2022	10,000
2,545,000	0.420	November 24, 2022	1,272,500
50,000	0.630	February 16, 2023	18,750
50,000	0.660	March 13, 2023	18,750
1,100,000	0.730	April 8, 2023	275,000
200,000	0.810	April 25,2023	50,000
12,808,700			10,402,450

d) Share purchase warrants

A summary of the changes in share purchase warrants is as follows:

	Number of outstanding warrants	Weighted-average exercise price (in $)	Expiry date
Balance - January 1, 2015 and	23,137,361	0.60	August 20, 2018
Exercised	(18,977)	0.60	
Balance - December 31, 2016	23,118,384	0.60	

15. Income taxes

A reconciliation of the combined Canadian federal and provincial income taxes at statutory rates and the Company's effective income tax rate expenses is as follows:

	2016	2015
Loss before income taxes	$ (5,313,132)	$ (3,125,206)
Federal and provincial income tax rates	26.00%	26.00%
Income tax recovery based on the above rates	(1,381,414)	(812,554)
Increase (decrease) due to:		
Non-deductible expenses and other items	248,217	141,173
Effects of different statuatory rates on earnings of subsidiaries	(55,441)	(7,402)
Changes in losses and temporary differences not recognized	481,914	678,783
Difference between flow-through share premium and tax benefits renounced	285,045	-
Income tax recovery	**$ (421,679)**	**$ -**

Recognized deferred income tax assets (liabilities)

	2016	2015
Non-capital losses	$ 1,915,477	$ 94,779
Mineral Properties and property, plant and equipment	(4,706,277)	(94,779)
Lease obligation	3,037,547	-
Other	(246,718)	-
	$ -	**$ -**

Unrecognized deferred income tax assets

	2016	2015
Non capital loss carryforward and other amounts	$ 9,091,025	$ 9,063,811
Capital losses	1,772,737	1,772,737
Mineral Properties and property, plant and equipment	703,871	-
Reclamation provision	490,303	41,546
Other	334,009	527,830
	$ 12,391,945	**$ 11,405,924**

15. Income taxes (*continued)*

Deductible temporary differences

At December 31, 2016, the Company had deductible temporary differences for which deferred tax assets of $1,528,184 (2015: $569,376) have not been recognized because it is not probable that future taxable profits will be available against which the Company can utilize these benefits. Substantially all the deductible temporary differences do not expire.

Unrecognized tax losses

At December 31, 2016, the Company had Canadian tax losses with a tax benefit of $8,495,107 (2015: $8,996,648) which are not recognized as deferred tax assets. The Company recognizes the benefit of tax losses only to the extent of anticipated future taxable income that can be reduced by the tax losses. The gross amount of the Canadian tax losses for which a benefit has not been recorded expire as follows:

2025	3,409,450
2026	4,916,023
2027	4,113,717
2028	3,163,263
2029	2,449,391
2030	2,604,632
2031	2,352,670
2032	1,869,706
2033	2,174,135
2034	1,659,242
2035	3,064,760
2036	6,799,622
	38,576,611

16. Related party transactions and key management compensation

a) Key management compensation

Key management includes the Company's directors, Chief Executive Officer ("CEO"), President and Chief Operating Officer ("COO") and Chief Financial Officer ("CFO"). Compensation awarded to key management is presented in the table below:

	2016	2015
Salaries and benefits	**$ 638,089**	$ 405,441
Consulting fees	**992,286**	741,252
Director fees	**131,750**	75,000
Share-based payments	**905,924**	540,047
	$ 2,668,049	$ 1,761,740

b) Due to related parties

As at December 31, 2016, the Company owed $426,710 to Sirocco Advisory Services, a company controlled by a director and officer of the Company (2015: $204,250).

As at December 31, 2016, the Company owed $8,333 (2015: $nil) to Metallica Consulting Services, a company controlled by a director of the Company.

As at December 31, 2016, the Company owed $57,083 (2015: $11,280) to directors of the Company.

As at December 31, 2016, the Company owed $nil (2015: $82,300) to a director and former officer of the Company.

As at December 31, 2016, the Company owed $75,168 (2015: $58,478) to the CFO of the Company.

As at December 31, 2016, the Company owed $90,000 (2015: $nil) to the COO of the Company.

As discussed in Note 11, on May 10, 2016, the Company completed a non-brokered financing by way of issuance of convertible debentures, whereby $8 million of the Debentures are held by Beedie Investments Ltd., a company controlled by a director of the Company.

c) Due from related party

The Company charges office lease and administrative expenditures to Oceanic Iron Ore Corp. ("Oceanic"), a Company with officers and directors in common. During the year ended December 31, 2016, office lease and administrative expenditures billed to Oceanic amounted to $78,652 (2015: $164,320). As at December 31, 2016, the Company was owed $19,034 from Oceanic (2015: $19,305).

Amounts due to and from related parties are unsecured, non-interest bearing and due on demand.

17. Financial risk management

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and cash equivalents, restricted cash, receivables, due from related party, deposits, available-for-sale financial asset, accounts payable, due to related parties, convertible debentures, lease obligations, and the Project Loan Facility.

Cash and cash equivalents, restricted cash, receivables, due from related party and deposits are designated as loans and receivables and are measured at amortized cost.

All financial instruments for which fair value is recognised or disclosed are categorized within a fair value hierarchy based on the lowest level input that is significant to the fair value measurement as whole. The Company's available-for-sale financial asset held is categorized as Level 3 on the fair value hierarchy as the investment is in a privately held company of which observable market data is not available.

Accounts payable, convertible debenture, lease obligations, the Project Loan Facility, and amounts due to related parties are classified as other financial liabilities, which are measured at amortized cost.

Financial instrument risk exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The board approves and monitors the risk management processes.

Credit risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk is on its cash and cash equivalents, receivables and due from related parties. The Company has concentration of risk with respect to cash being held with two large Canadian financial institutions. The Company's credit risk is mitigated by maintaining its financial liquid assets with highly reputable counterparties, with cash primarily being held with one large Canadian financial institution and a majority of the receivable balances due from the Canadian government. The maximum exposure to credit risk is equal to the carrying value of the financial assets noted above.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due. The Company's cash and cash equivalents are invested in business accounts and term deposits which are available on demand. The Company manages liquidity risk by preparing and maintaining cash forecasts, which illustrate cash spent to date and its cash needs over the short term and over repayment dates into the future as it pertains to the Project Loan Facility, Equipment Facility, and convertible debenture. Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2016 and 2015 comprise accounts payable and due to related parties as presented on the consolidated balance sheets and are due in less than 1 year. Other contractual obligations include the Company's lease obligations, convertible debenture and the Project Loan Facility, of which commitment schedules are disclosed in Note 18 below.

17. Financial risk management (continued)

Financial instrument risk exposure *(continued)*

Liquidity risk (continued)

The following table summarizes the Company's contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2016 and December 31, 2015:

December 31, 2016

	Less than 1 year	1 - 5 years	Total
Accounts payable and accrued liabilities	$ 13,815,348	$ -	$ 13,815,348
Due to related parties	657,294	-	657,294
Convertible Debenture liability	1,105,000	552,500	1,657,500
Project Loan Facility	4,707,000	124,272,000	128,979,000
Lease obligation	2,402,027	8,945,583	11,347,610

December 31, 2015

	Less than 1 year	1 - 5 years	Total
Accounts payable and accrued liabilities	$ 1,577,265	$ -	$ 1,577,265
Due to related parties	356,308	-	356,308

As disclosed in Note 10, on December 31, 2016, the Company was not in compliance with the current ratio covenant required within the PLF. This triggered a cross-default within the lease obligation and Debentures. Subsequent to December 31, 2016, a waiver of default was obtained from the PLF lenders stating that they will not exercise any rights arising with respect of the failure to comply with the current ratio requirements. Although the Company has recorded the full amounts of the PLF, lease obligation, and convertible debenture liability as current, as a requirement of IFRS, the repayment schedules remain unchanged for each respective financial instrument, as reflected in the above table.

Interest Rate Risk

The Company's interest rate risk mainly arises from the interest rate impact on its interest income derived from Canadian Dollar cash and deposits, restricted cash, convertible debentures, the Project Loan Facility, and the Equipment Facility. The Company invests surplus cash in fixed rate term deposits. It is the Company's policy to reduce interest rate risk over future cash flows through the use of instruments with a history of returns. Advances under the PLF bear interest at an interest rate of the CDOR plus a 5% margin (Pre-Project Completion), reducing to a margin of 4.5% post-Project Completion. Similarly, the Equipment Facility bears interest at a rate of CDOR plus a 5.35% margin. The Company manages this risk by monitoring fluctuations in CDOR, which are not expected to be significant. A 1% change in interest rates would have a $236,769 impact on net loss and comprehensive loss

17. Financial risk management *(continued)*

Market risk

Market risk is the risk that the fair market value of the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates and equity and commodity prices. The Company is exposed to market risk on its cash and cash equivalents and restricted cash balance. The Company manages market risk by investing funds with reputable financial institutions that provide competitive rates of return.

The Company is subject to commodity price risk from fluctuations in the market prices for gold. As discussed in Note 10b, during the year ended December 31, 2016, the Company finalized and scheduled out its Hedge Facility covering the sale of 215,000 ounces at a flat forward price of $1,550 per ounce.

The Company's financial instruments are not subject to significant fluctuation due to changes in equity prices of investments included in marketable securities or foreign exchange rates.

Fair value

Fair value is based on available public market information or, when such information is not available, estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate credit risk.

Financial instruments of the Company as at December 31, 2016 and December 31, 2015 are summarized as follows:

	December 31, 2016		December 31, 2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Loans and receivables				
Cash and cash equivalents	$14,396,987	$ 14,396,987	$ 10,764,172	$ 10,764,172
Due from related parties	19,034	19,034	19,305	19,305
Receivables	253,116	253,116	279,564	279,564
Restricted cash	9,337,346	9,337,346	-	-
Other non-current asset	248,077	248,077	248,077	248,077
Financial liabilities				
Accounts payable and accrued liabilities	$13,815,348	$ 13,815,348	$ 1,577,265	$ 1,577,265
Due to related parties	657,294	657,294	356,308	356,308
Convertible debenture	12,455,917	13,143,801	-	-
Lease obligation	9,798,540	9,798,540	-	-
Project Loan Facility	32,829,623	34,091,712	-	-

18. Commitments

Office Lease Agreements

As disclosed in Note 16(c), the Company has a long-term office lease and shares office space and related costs with one other company. As part of the office sharing agreement, 15% of the Vancouver office rent is recoverable from the related party. One of the Company's subsidiaries has an office lease commitment in Nova Scotia. A summary of the Company's commitments is set out below:

2017	279,689
2018	229,050
2019	226,283
2020	169,712
	$ 904,734

Crown Lease Agreement

In 2016, the Company finalized a lease agreement in respect of seven parcels of Crown land within the footprint of Touquoy. Lease payments are $68,300 per annum, continuing until the termination of the lease in February 2026.

Phased Reclamation Bond

As discussed in Note 9 the Company is required to post a phased reclamation security in the amount of $10.4 million by December 31, 2019. The various remaining milestone payments for the reclamation security are as follows:

2017	2,100,000
2018	2,600,000
2019	2,100,000
	$ 6,800,000

EPC Agreement

On May 9, 2016, the Company signed a fixed price Engineering, Procurement and Construction ("EPC") contract in the amount of $86.34 million to build a 2 million tonne per annum process plant, truck shop and office facilities, as well as other support infrastructure related to these facilities, for the Company's MRC Project. At December 31, 2016, the Company had incurred $45 million in respect of the EPC contract.

Mineral property royalties

As discussed in Note 7, an NSR of 3% is payable in respect of the Touquoy deposit, two-thirds of which can be purchased for $2.5 million. Additionally, a 3% NSR is payable on production from the Company's 100% owned Cochrane Hill deposit, of which two-thirds can be repurchased by the Company for $1.5 million. The Company expects to buy-back options on both Cochrane Hill and Touquoy. For the Company's 100% owned Beaver Dam deposit, a 0.6% NSR is payable to a private third-party. There are no buyback options for this private royalty. The Company must also remit a 1% NSR on production from all deposits in Nova Scotia.

Exploration Tenement Commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to incur expenditures of approximately $240,000 (2016: $216,365) in respect of claim renewal fees and minimum work requirements in 2017.

19. Management of capital

Capital includes all components of shareholders' equity. The Company's objective in managing capital is to safeguard the Company's ability to continue as a going concern, to maintain a flexible capital structure which optimizes cost of capital at acceptable risk, and to provide reasonable returns to shareholders.

The Company invests its funds in deposits and term deposits with major financial institutions and monitors capital by gauging cash available for use. The Company manages the capital structure and makes adjustments in light of changes in economic conditions, foreign exchange rates and the risk characteristics of the Company's assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to improve working capital.

Other than what has already been disclosed in notes 10 (a), 11, and 13 in respect of the PLF, Equipment Facility and Debentures, the Company has no other externally imposed capital requirements.

20. Subsequent events

a) The following drawdowns were made on the PLF subsequent to December 31, 2016:

January 5, 2017	$	4,500,000
January 25, 2017		18,500,000
March 7, 2017		9,500,000
April 12, 2017		8,500,000
Total	**$**	**41,000,000**

b) Subsequent to December 31, 2016, the Company granted a total of 4,025,000 stock options to directors, officers and employees of the Company, with a weighted average exercise price of $0.96.

c) Subsequent to December 31, 2016, 1,300,000 stock options and a cumulative total of 305,947 warrants were exercised at weighted average exercise price of $0.42 per share and $0.60 per share, respectively.