Atlantic Gold Corporation

Consolidated Financial Statements
December 31, 2015 and 2014
(Expressed in Canadian dollars)

April 26, 2016

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, 2015 and December 31, 2014 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.

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, 2015 and December 31, 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

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Atlantic Gold Corporation

Consolidated Balance Sheet (Expressed in Canadian Dollars)

	December 31, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	$ **10,764,172**	$ 18,266,882
Prepaid expenses and deposits	**135,319**	209,755
Receivables (Note 7)	**513,519**	577,338
Due from related party (Note 13)	**19,305**	67,352
Total Current Assets	**11,432,315**	19,121,327
Property, plant and equipment (Notes 5,6,8)	**4,411,126**	4,462,689
Mineral Properties (Notes 5,6,9)	**27,630,686**	21,967,737
Other non-current assets (Note 10)	**448,077**	470,275
TOTAL ASSETS	$ **43,922,204**	$ 46,022,028
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ **1,577,265**	$ 1,490,199
Due to related parties (Note 13)	**356,308**	58,115
TOTAL LIABILITIES	**1,933,573**	1,548,314
Shareholders' equity		
Share capital (Note 11a)	**68,594,009**	68,072,249
Contributed surplus (Note 11b, 11c)	**12,657,504**	12,539,141
Deficit	**(39,262,882)**	(36,137,676)
Total Shareholders' Equity	**41,988,631**	44,473,714
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ **43,922,204**	$ 46,022,028

Commitments (Note 15)
Subsequent Events (Note 17)

Approved by the Board:

"Donald Siemens" Director

"Robert Atkinson" Director

The accompanying notes are an integral part of these financial statements

Atlantic Gold Corporation

Consolidated Statements of Loss and Comprehensive Loss (Expressed in Canadian Dollars)

		Year ended December 31, 2015		Year ended December 31, 2014
Expenses				
Amortization	**$**	**43,535**	$	21,573
Corporate Development and investor relations		**376,297**		278,469
Director fees		**75,000**		72,917
Management Fees, salaries and benefits		**1,072,419**		662,352
Office and general		**162,328**		192,955
Professional fees		**626,479**		489,504
Rent		**154,697**		118,972
Share-based payments (Note 11b)		**535,819**		237,536
Transfer agent and filing fees		**139,542**		111,360
Travel, meals and entertainment		**31,840**		17,141
Net loss from operations		**(3,217,956)**		(2,202,779)
Other income / (expense)				
Impairment of property, plant & equipment		**(36,681)**		-
Interest income and other		**129,431**		465,338
Net loss and other comprehensive loss for the year	**$**	**(3,125,206)**	$	(1,737,441)
Weighted average number of shares outstanding		**114,493,370**		79,355,260
Loss per share, basic and diluted	**$**	**(0.03)**	$	(0.02)

The accompanying notes are an integral part of these financial statements

Atlantic Gold Corporation

Consolidated Statements of Changes in Equity (Expressed in Canadian Dollars)

	Share capital				
	Number of shares	Amount	Contributed surplus	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 (Note 6)	1,932,446	521,760	(521,760)	-	-
Net 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**

	Share capital				
	Number of shares	Amount	Contributed surplus	Deficit	Total equity
Balance - January 1, 2014	**60,407,187**	**$ 53,258,507**	**$ 10,227,578**	**$ (34,400,235)**	**$ 29,085,850**
Share-based payments	-	-	237,536	-	237,536
Acquisition of Atlantic Gold NL	46,275,272	12,957,076	1,534,027	-	14,491,103
Acquisition of Acadian Mining Corporation	6,876,542	1,856,666	540,000	-	2,396,666
Net loss for the year	-	-	-	(1,737,441)	(1,737,441)
Balance - December 31, 2014	**113,559,001**	**$ 68,072,249**	**$ 12,539,141**	**$ (36,137,676)**	**$ 44,473,714**

The accompanying notes are an integral part of these financial statements

Atlantic Gold Corporation
Consolidated Statements of Cash Flows (Expressed in Canadian Dollars)

		Year ended December 31, 2015		Year ended December 31, 2014
Cash used in operating activities				
Net loss for the year	**$**	**(3,125,206)**	$	(1,737,441)
Adjustments for:				
Amortization		**43,535**		21,573
Impairment of property, plant & equipment		**36,681**		-
Share-based payments		**535,819**		237,536
Interest income		**(129,431)**		(465,338)
Net changes in non-cash working capital:				
Receivables		**59,513**		(125,267)
Due from related parties		**48,047**		6,936
Prepaid expenses and deposits		**96,632**		(32,616)
Accounts payable and accrued liabilities		**(254,698)**		(638,587)
Due to related parties		**298,193**		47,880
Net cash used in operating activities		**(2,390,915)**		(2,685,324)
Investing activities				
Purchase of property and equipment		**(28,651)**		-
Acquisition costs - Atlantic Gold NL		**-**		(2,837,671)
Acquisition costs - Acadian Mining		**-**		(3,797,765)
Disposal of equipment		**-**		(3,980)
Proceeds from sale of securities		**-**		7,820
Mineral property expenditures		**(5,216,879)**		(1,764,938)
Interest received		**133,735**		426,091
Net cash used in investing activities		**(5,111,795)**		(7,970,443)
Change in cash and cash equivalents during the year		**(7,502,710)**		(10,655,767)
Cash and cash equivalents, beginning of year		**18,266,882**		28,922,649
Cash and cash equivalents, end of year	**$**	**10,764,172**	$	18,266,882
Supplemental cash flow information				
Interest paid	**$**	**-**	$	-
Income taxes paid	**$**	**-**	$	-

The accompanying notes are an integral part of these 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. At December 31, 2014 the Company was also listed on the Australian Stock Exchange ("ASX"). On March 6, 2015, the Company officially de-listed from the ASX.

On August 20, 2014, the Company completed its acquisition of all the fully paid and partly paid ordinary shares on issue in Atlantic Gold Pty Limited (formerly Atlantic Gold NL) ("Atlantic NL") by way of a scheme of arrangement ("Scheme") under Part 5.1 of the Australian Corporations Act 2001 (Cth) between Atlantic and its shareholders. Atlantic NL is the owner of several gold mineral claims located in Nova Scotia – including the Touquoy and Cochrane Hill Gold Projects. The Company changed its name from Spur Ventures Inc. to Atlantic Gold Corporation concurrent with the closing of the Scheme.

On September 19, 2014, the Company completed the acquisition of all of the issued share capital in Acadian Mining Corporation ("Acadian") pursuant to a share purchase agreement (the "Agreement"). Acadian owns a number of mining claims in proximity to the claims acquired through the Atlantic NL acquisition.

The Company is focusing on advancing the development of its Nova Scotia properties, including the Beaver Dam 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 26, 2016.

3. Significant Accounting Policies, Judgments and Estimation Uncertainty

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

<u>Consolidation</u>

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.

December 31, 2015 (Expressed in Canadian Dollars)

3. Significant Accounting Policies, Judgments and Estimation Uncertainty (continued)

Consolidation (continued)

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
D.D.V. 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.

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 the 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 and subsequently at amortized cost. During the year ended December 31, 2015, cash and cash equivalents earned interest of up to 1.10% per annum (2014: 1.55% per annum). As at December 31, 2015 total cash on hand was $439,703 (2014: $1,617,426). The total cash equivalents balance was $10,324,469 (2014: $16,649,456).

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.

3. Significant Accounting Policies, Judgments and Estimation Uncertainty (continued)

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 that were in the money at December 31, 2015, the exercising of these options would have an anti-dilutive impact on the Basic earnings (loss) per share due to the loss position of the Company.

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 twelve 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 statement of financial position date. Realized and unrealized gains and losses arising from changes in the fair value of these financial assets or liabilities are included in the statement of income 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.

3. Significant Accounting Policies, Judgments and Estimation Uncertainty (continued)

Financial Instruments (continued)

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 statement of income over the period to maturity using the effective interest method.

Reporting in Canadian dollars and foreign currency translations

i. Functional and presentation currency

The presentation and functional currency for the Company and each of its subsidiaries is the Canadian dollar, and is the currency of the primary economic environment in which the entity operates.

ii. Transactions and balances

Monetary assets and liabilities are translated at period-end exchange rates and items included on the statements of income (loss) and comprehensive income (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 statement of operations.

Property, Plant and 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:

Plant and equipment	straight-line 20% - 50%
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 separately each part. 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, Judgments and Estimation Uncertainty (continued)

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 resource 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.

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.

3. Significant Accounting Policies, Judgments and Estimation Uncertainty (continued)

Asset Retirement Obligations

Asset retirement obligations will be recognized for estimated obligations related to the retirement of long-lived tangible assets that arise from the acquisition, exploration, construction, development or normal operation of such assets. 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 fair value of the liability is accreted, by charges to operations, to its estimated future obligation. The Company had no asset retirement obligations at December 31, 2015 and 2014.

Use of Estimates and Judgments

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included below and in the notes to the financial statements where applicable.

i. Assessment of fair value of assets acquired in a business combination

Areas of judgment include the assessment of an acquisition of a business as an asset acquisition versus a business combination. For the acquisitions of Atlantic NL and Acadian, management's judgement was used in treating both transactions as an asset acquisition. Further areas of estimates included the measurement of net assets acquired in the acquisitions of Atlantic NL and Acadian as well as the fair value calculations of the consideration paid.

ii. 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 to sell. The most significant assets assessed for impairment include the carrying value of the Company's deferred exploration expenditures and mineral property interests.

The application of the Company's accounting policy for its mineral properties 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 statement of profit or loss and other comprehensive income in the period when the new information becomes available.

4. Recent Accounting Pronouncements

New relevant IFRS pronouncements that have been issued but are not yet effective are listed below. We plan to apply the new standard or interpretation in the annual period for which it is first required. The Company is evaluating the impact these pronouncements are expected to have on its consolidated financial statements.

IFRS 9 – Financial instruments

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flows of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on the measurement of financial liabilities and de-recognition of financial instruments. The required adoption date for IFRS 9 has been deferred from the original adoption date of January 1, 2015 to all annual periods beginning on or after January 1, 2018. The Company has yet to commence assessing the impact of this new standard.

IFRS 16 – *Leases*

IFRS 16, Leases ("IFRS 16") was issued January 13, 2016 and provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance. IFRS 16 is applicable to annual reporting periods beginning on or after January 1, 2019.

December 31, 2015 (Expressed in Canadian Dollars)

5. Acquisition of Atlantic NL

On August 20, 2014 (the "Implementation Date"), the Company completed the acquisition of all the fully paid and partly paid ordinary shares on issue of Atlantic NL.

Under the terms of the Scheme, Atlantic NL shareholders holding fully paid ordinary shares received 0.05564 of a common share of the Company (each whole share, a "Common Share") and 0.02782 of a share purchase warrant (each whole warrant a "Warrant") for each fully paid ordinary share of Atlantic NL held. Each Warrant is exercisable to acquire one Common Share of the Company for a period of four years following the Implementation Date at a price of $0.60 per Common Share. Atlantic NL shareholders holding partly paid ordinary shares received 10% of the consideration otherwise payable to a holder of fully paid ordinary shares for each fully paid share held. As a result, a total of 46,275,272 Common Shares and 23,137,361 Warrants were issued to Atlantic NL shareholders.

In consideration for the cancellation of each outstanding option to purchase an ordinary share of Atlantic NL (each, an "Atlantic NL Option"), the Company granted 0.05564 of an option to purchase a Common Share, with an exercise price of $0.50 per full Common Share with an expiry date of August 28, 2017 (the "Option Cancellation Deed"). Options to purchase up to 973,700 Common Shares were granted to former holders of Atlantic NL Options as at the Implementation Date.

The acquisition of Atlantic NL by the Company has been accounted for as an asset acquisition.

The allocation of the consideration to the assets and liabilities acquired is as follows:

Current Assets	$	665,560
Property, Plant & Equipment		3,695,015
Mineral properties		13,307,069
Other long term assets		478,094
Current Liabilities		(1,899,846)
	$	**16,245,892**

Consideration		
Common Shares issued on acquisition	$	12,957,076
Share Purchase Warrants on acquisition		1,476,639
Options granted under *Option Cancellation Deeds*		57,388
Transaction costs		1,754,789
	$	**16,245,892**

December 31, 2015 (Expressed in Canadian Dollars)

5. Acquisition of Atlantic NL (continued)

The estimated fair value of the Common Shares and Warrants issued and the Options granted under the Option Cancellation Deeds is based on:

Description	Number of Atlantic NL securities	Exchange Ratio	Number of the Company's securities ssued	Fair value per common share / warrant on the Implementation Date	Fair value
Common Shares issued for Atlantic Fully Paid Shares	828,671,993	0.05564	46,106,759	$ 0.28	**$ 12,909,892**
Common Shares issued for Atlantic Partly Paid Shares	30,286,342	0.005564	168,513	0.28	**47,184**
Share Purchase Warrants issued for Atlantic NL Fully Paid Shares	828,671,993	0.02782	23,053,105	0.064	**1,471,262**
Share Purchase Warrants issued for Atlantic NL Partly Paid Shares	30,286,342	0.002782	84,257	0.064	**5,377**
Options issued under *Option Cancellation Deeds* in place of Atlantic NL Options outstanding	17,500,000	0.05564	973,700	0.059	**57,388**
					$ 14,491,103

The Warrants and Options were valued as at the Implementation Date using the Black-Scholes model based on the following assumptions:

	Warrants	**Stock Options**
Risk-free interest rate	1.50%	1.50%
Expected life	4 years	3 years
Annualized volatility	55%	55%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

Prior to the acquisition by the Company, Atlantic NL was an Australian Stock Exchange ("ASX") listed company focused on the exploration and development of the Touquoy project, which is at an advanced stage and has all major permits in place, and the Cochrane Hill project, both of which are located within the Meguma Terrane in the province of Nova Scotia.

Atlantic NL has an effective ownership interest of 63.5% in the Touquoy project and is the operator and manager of the project, responsible for funding all capital and operating expenditures. Under the Touquoy joint venture agreement, on commencement of production at the Touquoy project, Atlantic will receive 100% of the Touquoy cash flow until all capital and operating expenditures, in addition to interest expenditures, have been recouped. A private net smelter return royalty of 3% is also payable in respect of the Touquoy project, two-thirds of which can be purchased for $2.5 million.

Atlantic NL has a 100% ownership interest in the Cochrane Hill project. A private net smelter return royalty of 3% is also payable in respect of the Cochrane Hill project, two-thirds of which can be purchased for $1.5 million.

December 31, 2015 (Expressed in Canadian Dollars)

6. Acquisition of Acadian

On September 19, 2014, the Company completed the acquisition of all of the issued share capital of Acadian in exchange for 8,876,542 common shares (the "Consideration Shares") of the Company and $3,610,740 in cash, comprising the cash consideration of $4,260,740 less a net liability adjustment of $650,000, pursuant to the Sale and Purchase Agreement (the "Agreement") with LionGold Mining Canada Inc. (the "Vendor"), and LionGold Corp Ltd as guarantor.

Under the terms of the Agreement, a total of 2,000,000 Consideration Shares ("Contingent Common Shares") were held back from issuance to the Vendor pending the completion of certain post-closing deliverables including financial due diligence procedures of certain financial statement balances of Acadian as at the closing date of the acquisition. The completion of such due diligence procedures resulted in a small reduction of the number of common shares to be issued to LionGold. On July 8, 2015, the Company issued 1,932,446 common shares to the Vendor. As a result, $521,760 was reclassified from contributed surplus to issued share capital. All post-closing deliverables in relation to the acquisition of Acadian have now been satisfied.

The acquisition of Acadian by the Company was accounted for as an asset acquisition.

The allocation of the consideration to the assets and liabilities acquired is as follows:

Current Assets	$	91,915
Property, Plant & Equipment		270,512
Exploration and evaluation assets - intangibles		6,463,721
Current Liabilities		(630,299)
	$	**6,195,849**
Consideration		
Cash paid on acquisition	$	3,610,740
Common Shares issued on acquisition		1,856,666
Contingent Common Shares issuable		540,000
Transaction costs		188,443
	$	**6,195,849**

The fair value of the Common Shares issued and Contingent Common Shares issuable is based on the Company's share price as at the closing date of the Agreement, being $0.27.

The assets of Acadian consist of the Beaver Dam and Fifteen Mile Stream gold projects, which are located in proximity to the Company's Touquoy and Cochrane Hill Projects, plus an extensive portfolio of exploration properties in the Meguma Terrane of Nova Scotia, Canada. Acadian also holds existing royalty interests on the Goldenville (1% NSR), Dufferin (2% NSR) and Tangier (1% NSR) properties located in Nova Scotia.

December 31, 2015 (Expressed in Canadian Dollars)

7. Receivables

		December 31, 2015		December 31, 2014
Input tax credits	$	233,956	$	268,285
NSDNR security for settlement of expropriated properties	$	206,698	$	206,698
Interest and other receivables		72,865		102,355
	$	**513,519**	**$**	**577,338**

The receivable from the Nova Scotia Department of Natural Resources ("NSDNR") relates to $206,698 in security held by the NSDNR in respect of certain expropriated properties. The security will be refunded once payment for the expropriated lands by the Company has been settled. 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.

8. Property, plant and equipment

	Equipment	Land		Total
At December 31, 2014				
Cost	269,080	4,289,805	$	4,558,885
Accumulated depreciation	(96,196)	-		(96,196)
Net book Value	**172,884**	**4,289,805**	**$**	**4,462,689**
Period ended December 31, 2015				
At January 1, 2015	172,884	4,289,805	$	4,462,689
Additions	18,653	10,000		28,653
Impairment of property, plant & equipment	(36,681)	-		(36,681)
Depreciation for the year	(43,535)	-		(43,535)
Closing net book value	**111,321**	**4,299,805**	**$**	**4,411,126**
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**

December 31, 2015 (Expressed in Canadian Dollars)

9. Mineral Properties – Nova Scotia

Year ended December 31, 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**
Additions - Exploration Costs					
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 and Admin.	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**

**Includes a portion of share-based payments of $104,304.12 (2014: nil)*

Year ended December 31, 2014

	Beaver Dam	Touquoy	Cochrane Hill	Fifteen Mile Stream and Other	Total
Acquisition Costs beginning and end of year	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Additions - Acquisition Costs	$ 1,134,791	$ 10,035,517	$ 2,278,597	$ 6,321,884	$ 19,770,789
Cumulative acquisition costs - end of year	**$ 1,134,791**	**$ 10,035,517**	**$ 2,278,597**	**$ 6,321,884**	**$ 19,770,789**
Exploration costs - Beginning of year	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Additions - Exploration Costs					
Permitting & claims	104	16,844	13,720	68,545	99,213
Drilling	619,783	49,578	-	-	669,361
Environmental & Geology	96,784	22,529	94,590	3,375	217,278
Salaries	335,151	17,528	3,056	51,589	407,324
Consulting	464,034	42,437	11,675	12,074	530,220
Assays & Metallurgy	37,485	-	1,820	7,935	47,240
Equipment & Supplies	14,260	225	12	5,700	20,197
Travel & Accomodation	116,117	10,041	561	5,954	132,673
Other	67,677	1,018	157	4,590	73,442
Exploration expenditures for the year	1,751,395	160,200	125,591	159,762	2,196,948
Cumulative exploration costs - end of year	**$ 1,751,395**	**$ 160,200**	**$ 125,591**	**$ 159,762**	**$ 2,196,948**
Grand Total - Mineral Properties	**$ 2,886,186**	**$ 10,195,717**	**$ 2,404,188**	**$ 6,481,646**	**$ 21,967,737**

December 31, 2015 (Expressed in Canadian Dollars)

9. Mineral Properties – Nova Scotia (continued)

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.

10. Other non-current assets

		December 31, 2015		December 31, 2014
Reclamation bonds	$	200,000	$	200,000
Available for sale financial assets	$	248,077	$	248,077
Other		-		22,198
	$	**448,077**	**$**	**470,275**

The reclamation bonds are held by the NSDNR over various mining tenements and will be refundable to the Company once mining is completed and the land has been restored to its economically usable state. The available for sale financial asset represents the Company's minority interest in Moose River Resources Inc., a privately held company, which is recorded at cost as the fair value is not reliably measureable as the shares are privately traded and there is a wide potential range of volatility.

11. Equity

a) Authorized share capital

Unlimited 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) Stock options

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

Atlantic Gold Corporation Fixed Stock Option Plan

The Company's Fixed Stock Option Plan (2015) (the "Option Plan"), was approved on November 16, 2015. 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 pursuant to Options previously granted and those granted under the Option Plan are 17,323,717 or such additional amount as may be approved from time to time by the shareholders of the Company. 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.

December 31, 2015 (Expressed in Canadian Dollars)

11. Equity (continued)

b) 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

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

	Options		Weighted average exercise price
Options outstanding - January 1, 2014	4,650,000	$	0.38
Granted	3,023,700		0.38
Expired	(300,000)		0.28
Options outstanding - December 31, 2014	**7,373,700**	**$**	**0.38**
Granted	3,940,000		0.26
Options outstanding - December 31, 2015	**11,313,700**	**$**	**0.34**
Options exercisable - December 31, 2015	**9,031,200**	**$**	**0.36**

During the year ended December 31, 2015, the Company granted a total of 3,940,000 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, 2015 was $0.26 per option (2014 – 3,023,700 stock options granted with weighted average exercise price of $0.38). The exercise price for the stock option grants were equal to the market price at the time of the grant. Total share based payments recognized during the year was $640,123 (2014 - $237,536), with $535,819 recognized in the statement of loss (2014 - $237,536) and $104,304 capitalized to mineral properties (2014 - $nil).

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

Risk-free interest rate	1.16% - 1.26%
Expected life	6.75 years
Annualized volatility	75%
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 company. Expected forfeiture rates are based on historical forfeitures of stock options of the Company.

December 31, 2015 (Expressed in Canadian Dollars)

11. Equity (continued)

b) Stock options (continued)

The following table summarizes information about the options outstanding at December 31, 2015:

Number of Options	Exercise Price	Expiry Date	Number Exercisable
1,950,000	0.37	August 12, 2016	1,950,000
1,000,000	0.40	April 10, 2017	1,000,000
100,000	0.37	May 10, 2017	100,000
1,250,000	0.40	November 1, 2017	1,250,000
50,000	0.40	July 26, 2018	50,000
2,050,000	0.32	June 13, 2019	1,793,750
973,700	0.50	August 28, 2017	973,700
3,790,000	0.255	December 6, 2021	1,895,000
150,000	0.335	July 14, 2022	18,750
11,313,700			9,031,200

c) Share purchase warrants

At December 31, 2015, the Company had outstanding share purchase warrants exercisable to acquire 23,137,361 shares as follows:

	Number	Weighted average exercise price	Expiry date
Balance - January 1, 2014	-	$ -	-
Issued	23,137,361	0.60	August 20, 2018
Balance - December 31, 2014 and December 31, 2015	**23,137,361**	**$ 0.60**	

12. 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:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Earnings (loss) before income taxes	**(3,125,206)**	(1,737,440)
Federal and provincial income tax rates	**26.00%**	26.00%
Income tax expense (recovery) based on the above rates	**(812,554)**	(451,734)
Increase (decrease) due to:		
Non-deductible expenses and other items	**141,173**	62,677
Effects of different statuatory rates on earnings of subsidiaries	**(7,402)**	(6,668)
Change in losses and temporary differences not recognized	**678,783**	395,726
Income tax expense (recovery)	**-**	-

December 31, 2015 (Expressed in Canadian Dollars)

12. Income taxes (continued)

Recognized deferred income tax assets (liabilities)

	For the year ended December 31, 2015	For the year ended December 31, 2014
Non-capital losses	**$ 94,779**	$ 94,779
Mineral Properties	**(94,779)**	(94,779)
	$ -	$ -

Unrecognized deferred income tax assets

	For the year ended December 31, 2015	For the year ended December 31, 2014
Non capital loss carryforward and other amounts	**$ 9,063,811**	$ 9,549,967
Capital losses	**1,772,737**	1,772,737
Property, plant and equipment	**41,546**	34,823
Mineral Properties	**527,830**	671,629
	$ 11,405,924	$ 12,029,156

Deductible temporary differences

At December 31, 2015 the Company had deductible temporary differences for which deferred tax assets of $569,376 (2014 - $706,452) 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, 2015 the Company had Canadian tax losses with a tax benefit of $8,996,648 (2014 - $9,549,967) 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	2,602,474
2031	2,352,670
2032	1,869,706
2033	2,174,135
2034	1,659,242
2035	2,777,004
	$ 31,487,075

December 31, 2015 (Expressed in Canadian Dollars)

13. Related party transactions and key management compensation

a) Key management compensation

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

		Year ended December 31, 2015		Year ended December 31, 2014
Salaries and benefits	**$**	**405,441**	$	332,900
Consulting fees		**741,252**		488,929
Director fees		**75,000**		75,000
Share-based payments*		**540,047**		222,558
	$	**1,761,740**	$	1,119,387

**$46,322 Share-based payments capitalized to mineral properties (2014 - $nil)*

b) Due to related parties

As at December 31, 2015, the Company owed $204,250 to Sirocco Advisory Services, a company controlled by a director and officer of the Company (December 31, 2014: $11,397).

As at December 31, 2015, the Company owed $nil to Metallica Consulting Co., a company controlled by a director of the Company (December 31, 2014: $10,500).

As at December 31, 2015, the Company owed $11,280 (December 31, 2014: $25,809) to a director of the Company.

As at December 31, 2015, the Company owed $82,300 (December 31, 2014: $nil) to a director and officer of the Company.

As at December 31, 2015, the Company owed $58,478 (December 31, 2014: $nil) to Chris Batalha an officer of the Company.

As at December 31, 2015, the Company owed $nil to Shariff Advisory Services Ltd., a company controlled by a former officer of the Company (December 31, 2014: $1,280).

As at December 31, 2015, the Company owed $nil (December 31, 2014: $9,129) to key management personnel with respect to accrued benefits. Amounts due to and from related parties are unsecured, non-interest bearing and due on demand.

13. Related party transactions and key management compensation (continued)

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, 2015, office lease and administrative expenditures billed to Oceanic amounted to $164,320 (2014: $115,843). As at December 31, 2015, the Company was owed $19,305 from Oceanic (December 31, 2014: $36,731).

14. 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, receivables, due from related parties, deposits, available for sale financial assets, accounts payable, and due to related parties.

Cash and cash equivalents, receivables, due from related parties 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.

Accounts payable 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 and receivables. 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. The maximum exposure to credit risk is equal to the carrying value of the financial assets noted above.

14. Financial risk management (continued)

Financial Instrument Risk Exposure *(continued)*

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 our cash needs over the short term. Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2015 and 2014 comprise accounts payable, accrued liabilities, and due to related parties as presented on the Consolidated Balance Sheets and are due in less than 1 year.

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 in its cash and cash equivalents and available for sale financial asset. The Company manages market risk by investing funds with reputable financial institutions that provide competitive rates of return.

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

The Company's interest rate risk mainly arises from the interest rate impact on its interest income derived from Canadian Dollar cash and deposits. 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. A 1% change in interest rates would have a $103,245 impact on net loss and comprehensive loss.

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. The carrying values of cash and cash equivalents, receivables, deposits due from related party accounts payable, accrued liabilities and due to related parties approximate their fair values due to their short term nature.

December 31, 2015 (Expressed in Canadian Dollars)

15. Commitments

As disclosed in note 13(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:

2016	350,323
2017	227,206
2018	229,050
2019 and thereafter	395,996
	$ 1,202,575

Exploration Tenement Commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to incur expenditures of approximately $216,365 (December 31, 2014: $360,043) in respect of claim renewal fees and minimum work requirements in 2016

16. 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.

The Company has no externally imposed capital requirements.

17. Subsequent Events

a) On January 4, 2016, the Company granted 80,000 stock options with an exercise price of $0.33 expiring on July 14, 2022.

b) On February 22, 2016, the Company executed a commitment letter and supporting term sheet with Caterpillar Financial Services Corporation ("Cat Financial"), pursuant to which Cat Financial agreed to underwrite up to $20 million in mining fleet equipment financing to fund the Company's acquisition of Cat mining equipment, for the Company's Moose River Consolidated Project ("MRC Project") in Nova Scotia (the "Equipment Facility"). The Equipment Facility will be utilized towards the acquisition cost of the primary mining fleet and ancillary equipment ("Mining Fleet"). The term of the Equipment Facility will be 5 years and will be secured by the Mining Fleet. Title to the Mining Fleet will transfer to the Company at the completion of the Equipment Facility.

   As of the date of these financial statements, the Equipment Facility has not yet been finalized.

17. Subsequent Events (continued)

c) On February 22, 2016, the Company executed a credit approved commitment letter for a $115 million Project Loan Facility ("PLF") to be arranged and fully underwritten by Macquarie Bank Limited ("Macquarie Bank") and Cat Financial, to fund the construction costs of the MRC Project. The PLF will carry an interest rate of the Canadian Dealer Offered Rate, ("CDOR"), plus a margin 5% (pre-project completion), reducing to 4.5% post-completion, and is repayable in quarterly installments over three years post commencement of construction.

In order to mitigate gold price risk and as a condition of the PLF, the Company will enter into margin free gold forward sales contracts of 215,000 ounces, representing approximately 30% of the total recovered life of mine gold production of the MRC Project at an agreed minimum Canadian dollar forward achieved price of $1,500 per ounce.

As at the date of these financial statements, the provisions of the PLF and gold forward sales contracts had not yet been finalized. The provisions of the PLF are subject to completion of due diligence and project financing documentation.

d) On February 24, 2016, the Company granted 2,545,000 stock options with an exercise price of $0.42 expiring on November 24, 2022.

e) On March 7, 2016, the Company announced a non-brokered financing of $13 million by way of issuance of convertible debentures (the "Debentures"). The Debentures are subject to an interest rate of 8.5%, with the principal payment due 60 months after the closing date of the Debentures. The Debentures will be convertible into common shares of the Company at a conversion price of $0.60 per share. Accrued interest will also be convertible into common shares of the Company, but at the market price of the shares at the time of conversion. The Debentures will be convertible at any time, at the subscriber's option, and will be secured by way of a charge against all existing assets of the Company, subordinated to the lenders of the PLF. Shares acquired on conversion will be subject to a four month hold period from the closing date. The Company has the option to prepay the principle balance of the Debentures in full from two years of signing the agreement, after providing 30 days' notice to the Debenture holder.

As at the date of these financial statements, completion of the convertible debenture agreements are subject to due diligence of legal matters and material contracts, and final documentation.