ATLANTIC GOLD

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2018 and 2017

ATLANTIC GOLD CORPORATION

Atlantic Gold Corporation

Condensed Consolidated Interim Balance Sheet
(Unaudited)
As at
(Expressed in Canadian Dollars)

	Notes	**September 30, 2018**	December 31, 2017
Assets			
Current			
Cash and cash equivalents	6a	**$ 40,078,677**	$ 22,093,914
Prepaid expenses and deposits		**646,117**	1,001,356
Receivables	7	**3,764,349**	2,222,708
Inventory	8	**10,353,631**	8,562,014
Deferred transaction costs	13	**673,879**	-
Due from related party	21	**42,695**	49,168
		55,559,348	33,929,160
Property, plant and equipment	9	**165,382,671**	178,712,023
Exploration and evaluation assets	10	**45,005,661**	32,928,658
Restricted cash	11	**4,816,122**	10,593,432
Other non-current assets	12,13	**13,262,139**	2,402,089
		$ 284,025,941	$ 258,565,362
Liabilities			
Current			
Accounts payable and accrued liabilities		**$ 16,868,748**	$ 22,807,073
Due to related parties	21b	**134,016**	750,805
Current portion of long-term debt	13	**3,361,347**	32,210,417
Other liability	16b	**416,152**	2,164,290
		20,780,263	**57,932,585**
Reclamation provision	14	**4,531,130**	4,066,465
Long-term debt	13	**110,432,357**	105,617,533
Deferred income tax liability	15	**5,775,254**	-
		141,519,004	**167,616,583**
Shareholders' equity			
Share capital	16a,b	**153,870,246**	124,455,438
Contributed surplus	16c	**17,144,156**	15,294,216
Convertible debenture - equity component	13	**-**	277,917
Deficit		**(28,507,465)**	(49,078,792)
Total Shareholders' Equity		**142,506,937**	90,948,779
		$ 284,025,941	$ 258,565,362

Subsequent events (Note 23)

Approved by the Board of Directors:

"Donald Siemens" Director

"Robert Atkinson" Director

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

Atlantic Gold Corporation

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)

(Unaudited)

For the three and nine months ended September 30

(Expressed in Canadian Dollars)

	Notes	**Three months ended September 30, 2018**	*Three months ended* September 30, 2017	**Nine months ended September 30, 2018**	*Nine months ended September 30, 2017*
Revenue	17	**41,913,575**	-	**90,683,677**	-
Cost of goods sold	18	**(14,751,461)**	-	**(32,305,545)**	-
Depreciation and depletion		**(8,830,702)**	-	**(18,673,550)**	-
Mine operating earnings		**18,331,412**	-	**39,704,582**	-
General & Administration	19	**(1,905,835)**	(1,356,816)	**(6,740,580)**	(4,550,411)
Operating earnings		**16,425,577**	(1,356,816)	**32,964,002**	(4,550,411)
Other income / (expense)					
Finance costs	20	**(4,216,711)**	(60,582)	**(8,158,903)**	(579,530)
Interest and other income		**174,058**	54,416	**367,382**	189,713
Net income (loss) before income taxes		**12,382,924**	(1,362,982)	**25,172,481**	(4,940,228)
Deferred income tax recovery (expense)	15	**(4,412,938)**	42,874	**(5,549,208)**	1,165,091
Net income (loss) and comprehensive income (loss)		**$ 7,969,986**	$ (1,320,108)	**$ 19,623,273**	$ (3,775,137)
Weighted average number of shares outstanding					
Basic		**232,186,042**	177,574,441	**213,014,172**	175,574,441
Diluted		**242,424,605**	177,574,441	**238,583,728**	175,574,441
Earnings (loss) per share					
Basic		**$ 0.03**	$ (0.01)	**$ 0.09**	$ (0.02)
Diluted		**$ 0.03**	$ (0.01)	**$ 0.08**	$ (0.02)

Atlantic Gold Corporation

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)
For the nine months ended September 30
(Expressed in Canadian Dollars)

	Notes	Shares	Share Capital	Contributed Surplus	Convertible Debenture	Deficit	Total equity
Balance - January 1, 2018		**192,280,630**	**$ 124,455,438**	**$ 15,294,216**	**$ 277,917**	**$ (49,078,792)**	**$ 90,948,779**
IFRS 9 Transitional Adjustment	12	-	-	-	-	948,054	948,054
Share-based payments		-	-	3,753,190	-	-	3,753,190
Settlement of convertible debentures		21,927,360	13,228,803	-	(277,917)	-	12,950,886
Exercise of stock options	16c	2,795,000	1,617,393	(636,193)	-	-	981,200
Exercise of share purchase warrants	16d	19,641,735	13,046,521	(1,267,057)	-	-	11,779,464
Deferred income tax		-	1,522,091	-	-	-	1,522,091
Net income and comprehensive income for the period		-	-	-	-	19,623,273	19,623,273
Balance - September 30, 2018		**236,644,725**	**$ 153,870,246**	**$ 17,144,156**	**$ -**	**$ (28,507,465)**	**$ 142,506,937**
Balance - January 1, 2017		**173,331,713**	**$ 103,973,121**	**$ 13,289,077**	**$ 277,917**	**$ (44,154,335)**	**$ 73,385,780**
Share-based payments		-	-	2,221,202	-	-	2,221,202
Exercise of stock options	16c	2,619,950	1,474,129	(309,140)	-	-	1,164,989
Exercise of share purchase warrants	16d	1,833,799	1,217,643	(117,363)	-	-	1,100,280
Private placement - September 21, 2017		2,609,700	3,653,580	-	-	-	3,653,580
Share issue costs		-	(63,256)	-	-	-	(63,256)
Net loss and comprehensive loss for the period	16b	-	-	-		(3,775,137)	(3,775,137)
Balance - September 30, 2017		**180,395,162**	**$ 110,255,217**	**$ 15,083,776**	**$ 277,917**	**$ (47,929,472)**	**$ 77,687,438**

Atlantic Gold Corporation

Condensed Consolidated InterimStatements of Cash Flows
(Unaudited)
For the nine months ended September 30
(Expressed in Canadian Dollars)

	Notes	**Three months ended *September 30, 2018***	*Three months ended* September 30, 2017	***Nine months ended September 30, 2018***	*Nine months ended* *September 30, 2017*
Cash from (used) in operating activities					
Net earnings (loss) and comrehensive earnings (loss) for the period		**$ 7,969,986**	$ (1,320,109)	**$ 19,623,273**	$ (3,775,138)
Deferred income tax loss (recovery)	16	**4,412,938**	(42,874)	**5,549,207**	(1,165,091)
Accretion of reclamation obligation	14	**17,889**	5,990	**53,872**	32,108
Amortization		**8,857,432**	24,847	**18,754,103**	73,520
Share-based payments	16c	**817,437**	357,150	**3,421,559**	1,644,232
Interest and other income		**(596,285)**	(54,418)	**(367,383)**	(189,715)
Interest expense and transaction costs		**4,821,842**	-	**7,985,467**	-
Net changes in non-cash working capital	6b	**127,090**	(1,495,669)	**(4,984,419)**	(2,217,060)
Net cash provided (used) in operating activities		**26,428,329**	(2,525,082)	**50,035,679**	(5,597,143)
Cash from (used) in investing activities					
Capital expenditures and capitalized pre-commercial production mine operating costs	9	**(5,903,020)**	(13,386,894)	**(26,589,086)**	(69,380,706)
Capitalized revenue	9	**-**	-	**14,909,663**	-
Exploration and evaluation expenditures	10	**(4,415,156)**	(3,033,582)	**(15,312,062)**	(8,942,649)
Restricted cash - Surety Bond, letter of credit	11	**(747,000)**	(1,469,999)	**(194,000)**	(1,127,000)
Interest received		**189,093**	40,652	**355,210**	151,465
Net cash used in investing activities		**(10,876,083)**	(17,849,823)	**(26,830,275)**	(79,298,890)
Cash from (used) in financing activities					
Proceeds from stock option exercise	16c	**20,000**	531,504	**981,200**	1,164,989
Proceeds from exercise of share purchase warrants	16d	**7,260,836**	93,037	**11,779,464**	1,100,279
Proceeds from (payments against) long-term debt:					
Project Loan Facility	13	**(110,750,000)**	17,599,000	**(115,000,000)**	81,000,000
Revolving Credit Facility	13	**106,104,793**	-	**106,104,793**	-
Interest and finance payments:					
Project Loan Facility	13	**(2,319,579)**	(825,125)	**(8,692,450)**	(2,767,189)
Revolving Credit Facility	13	**(4,044,497)**	-	**(4,044,497)**	-
Convertible debenture	13	**-**	-	**-**	(552,500)
Finance lease payments, including interest	13	**(792,299)**	(732,875)	**(2,320,461)**	(2,080,295)
Restricted cash - Equipment Finance Facility DSRA	11	**(28,690)**	(60,395)	**(28,690)**	(116,069)
Restricted cash - Project Loan Facility DSRA	11	**7,000,000**	-	**-**	-
Restricted cash - Minimum proceeds account	11	**6,000,000**	-	**6,000,000**	-
Proceeds receieved on sale lease back		**-**	-	**-**	482,185
Proceeds from private placement		**-**	3,775,860	**-**	3,775,860
Private placement issuance costs		**-**	(63,255)	**-**	(63,255)
Net cash provided (used) in financing activities		**8,450,564**	20,317,751	**(5,220,641)**	81,944,005
Change in cash and cash equivalents during the period		**24,002,810**	(57,154)	**17,984,763**	(2,952,028)
Cash and cash equivalents, beginning of period		**16,075,867**	11,502,113	**22,093,914**	14,396,987
Cash and cash equivalents, end of period		**$ 40,078,677**	$ 11,444,959	**$ 40,078,677**	$ 11,444,959
Restricted cash, end of period	11	**$ 4,816,122**	$ 10,580,413	**$ 4,816,122**	$ 10,580,413
Total cash and restricted cash, end of period		**$ 44,894,799**	$ 22,025,372	**$ 44,894,799**	$ 22,025,372

Supplemental cash flow information (Note 6)

1. NATURE OF OPERATIONS

Atlantic Gold Corporation (the "Company") is 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 continues to focus on operations of its Moose River Consolidated (“MRC”) phase one open pit gold mine (which is comprised of the Touquoy and Beaver Dam deposits), as well as advancing development of its two life of mine expansion deposits which includes the deposits at Fifteen Mile Stream and Cochrane Hill. The infrastructure for the MRC mine is on the Touquoy property and a significant portion of it will be used for all deposits. Deposits other than Touquoy may require some modifications to the infrastructure to accommodate the ore processing and tailings of other deposits. Commercial production of the MRC mine began on March 1, 2018.

2. BASIS OF PREPARATION

These unaudited condensed interim financial statements for the three and nine months ended September 30, 2018 (the “Interim Financial Statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, Interim Financial Reporting (“IAS 34”). These Interim Financial Statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company’s audited annual financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS issued by the International Accounting Standards Board (“IASB”).

These Interim Financial Statements have been prepared using accounting policies consistent with those used in the Company’s 2017 annual consolidated financial statements, except for the adoption of IFRS 9 which is discussed in Note 3.

These consolidated financial statements were approved by the board of directors on November 14, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

During the period, the Company adopted IFRS 9, Financial Instruments (“IFRS 9”), which addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”) that relates to the classification and measurement of financial instruments.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that were recognized at the date of application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date, other than the Company’s available-for-sale asset, discussed in more detail below.

The following is the Company’s new accounting policy for financial instruments under IFRS 9.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Company determines the classification of the financial assets at initial recognition. The basis of classification depends on the Company'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. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as fair value through other comprehensive income.

The Company has assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and have summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

	Measurement Category	
	Original (IAS 39)	**New (IFRS 9)**
Financial assets		
Cash and cash equivalents	Amortized costs	**Amortized costs**
Due from related parties	Amortized costs	**Amortized costs**
Receivables	Amortized costs	**Amortized costs**
Restricted cash	Amortized costs	**Amortized costs**
Investment in a private company	Available-for-sale	**Fair value through other comprehensive income**
Financial liabilities		
Accounts payable and accrued liabilities	Amortized costs	**Amortized costs**
PLF/ RCF	Amortized costs	**Amortized costs**
Equipment facility	Amortized costs	**Amortized costs**
Due to related parties	Amortized costs	**Amortized costs**

The investment in a private company held by the Company (see Note 12) is comprised of shares in a Company that owns a 40% interest in the Touquoy project and does not have a quoted price in an active market. Under IAS 39, if the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed, an entity was precluded from measuring the instrument at fair value. This concept was not carried forward into IFRS 9 and as such the Company was required to assign a fair value to the available-for-sale asset upon the adoption of IFRS 9. As the Company is not restating prior periods, it has recognized the effects of retrospective application to shareholder's equity at the beginning of the 2018 annual reporting period. Therefore, the adoption of IFRS 9 resulted in a decrease to opening accumulated deficit on January 1, 2018 of $948,054. There have been no other changes in the carrying value of the Company's financial instruments or to previously reported figures as a result of changes to the measurement categories in the table noted above.

4. CHANGES IN ACCOUNTING STANDARDS NOT YET EFFECTIVE

Leases

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16") which replaces IAS 17, Leases ("IAS 17") 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. The standard is effective for annual periods beginning on or after January 1, 2019. 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 JUDGMENTS

Commercial production

The determination of when a mine is in the condition necessary for it to be capable of operating in the manner intended by management (referred to as "commercial production") is a matter of significant judgment which will impact when the Company recognizes revenue, operating costs and depreciation and depletion in the statement of profit and loss. In making this determination, management considered whether (a) the major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended was complete; (b) ramping up to nameplate design capacity has been achieved for the operations; (c) the mill was meeting performance design criteria such as hourly throughput and process recovery; and (d) a saleable product could be produced. Effective March 1, 2018, management declared commercial production at the MRC mine.

Fair Value of Investments through Other Comprehensive Income

Management judgment is used when determining the fair value of the Company's investment in a private company as a result of the adoption of IFRS 9. Assumptions are used in preparing the valuation models used to determine the fair value of the asset, including gold prices, reserves and resources, discount for minority interest, foreign exchange, mine plans, operating costs, capital expenditures, and discount rates.

Own Use Exemption

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 IFRS 9 and are accounted for as derivatives and marked to market through the consolidated statement of income (loss) and comprehensive income (loss). However, certain criteria exist whereby a contract may fall under an 'own use' exemption, and be exempt from the requirements of IFRS 9. The determination of the Company's accounting for its gold hedging contracts (Note 17) 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. Judgement was used to determine whether the Hedge Facility continues to meet the 'own use' requirements subsequent to the novation of the Hedge Facility to the Company's lenders in September 2018 (Note 13a).

(Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Own Use Exemption (continued)

Management has determined that the Hedge Facility continues to meet the requirements of 'own use' and is thereby exempt from the requirements of IFRS 9

Information about other significant areas of estimation uncertainty considered by management in preparing the financial statements are set out in Note 5 to the audited financial statements for the year ended December 31, 2017 and have been consistently followed in preparation of these Interim Financial Statements.

6. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Changes in non-cash working capital is comprised of:

	Three months ended *September 30, 2018*	*Three months ended* September 30, 2017	***Nine months ended September 30, 2018***	*Nine months ended September 30, 2017*
Net change in non-cash working capital:				
Receivables	**(2,452,303)**	8,698	**(2,773,971)**	49,316
Inventory	**(5,236)**	(199)	**(1,478,748)**	-
Other assets	**(1,573,792)**	-	**(4,469,874)**	-
Due from related parties	**(19,424)**	(21,020)	**6,365**	(45,849)
Prepaid expenses and deposits	**(30,523)**	(1,155,953)	**355,239**	(685,585)
Accounts payable and accrued liabilities	**4,096,216**	(307,091)	**3,993,359**	(927,384)
Due to related parties	**112,152**	(20,105)	**(616,789)**	(607,559)
	$ 127,090	$ (1,495,670)	**$ (4,984,419)**	$ (2,217,061)

(b) Cash and cash equivalents and restricted cash is comprised of:

	September 30, 2018	December 31, 2017
Cash	**$ 40,021,177**	$ 22,035,739
Guaranteed Investment Certificates	**57,500**	58,175
Restricted cash	**4,816,122**	10,593,432
	44,894,799	32,687,346

(c) Non-cash investing and financing activities included a $13,228,803 settlement of convertible debentures (2017 - $nil).

(Expressed in Canadian Dollars)

7. RECEIVABLES

	September 30, 2018	December 31, 2017
Government tax credits	$ 3,471,907	$ 1,999,172
NSDNR security for settlement of expropriated properties	206,698	206,698
Interest and other receivables	85,744	16,838
	$ 3,764,349	$ 2,222,708

Government tax credits comprise input tax credits (GST/ HST) and fuel rebates receivable.

8. INVENTORY

	September 30, 2018	December 31, 2017
Ore in stockpile	$ 325,658	$ 1,472,341
In-circuit metal	7,066,215	6,312,662
Finished metal	397,924	141,270
Total mineral inventory	7,789,797	7,926,273
Materials and supplies	2,563,834	635,741
Total inventory	$ 10,353,631	$ 8,562,014

Depreciation included in inventory at September 30, 2018 was $3,349,086 (December 31, 2017 - $3,036,223).

(Expressed in Canadian Dollars)

9. PROPERTY, PLANT AND EQUIPMENT

	Notes	Mineral properties and development costs	Equipment	Plant and Infrastructure	Total
Costs					
At January 1, 2017		$ 83,882,098	$ 12,904,136	$ -	$ 96,786,234
Reclamation	14	2,436,676	-	-	2,436,676
Borrowing costs	13	8,929,522	-	-	8,929,522
Capitalized revenue		(12,429,542)	-	-	(12,429,542)
Additions		86,767,679	3,206,391	-	89,974,070
Reallocation of development costs		(97,592,257)		97,592,257	-
At December 31, 2017		**$71,994,176**	**$16,110,527**	**$97,592,257**	**$185,696,960**
Reclamation	14	**410,793**	**-**	**-**	**410,793**
Borrowing costs	13	**1,903,914**	**-**	**-**	**1,903,914**
Additions - other		**15,183,133**	**840,963**	**804,679**	**16,828,773**
Pre-production COGS capitalized		**5,319,564**	**-**	**-**	**5,319,564**
Capitalized revenue		**(14,909,663)**	**-**	**-**	**(14,909,663)**
At September 30, 2018		**$79,901,917**	**$16,951,489**	**$98,396,936**	**$195,250,341**
Accumulated depreciation					
At January 1, 2017		-	(980,965)	-	(980,965)
Depreciation and depletion		(2,337,475)	(2,612,351)	(1,054,146)	(6,003,972)
At December 31, 2017		**(2,337,475)**	**(3,593,316)**	**(1,054,146)**	**(6,984,937)**
Depreciation and depletion		(12,268,183)	(2,243,284)	(8,371,268)	(22,882,735)
At September 30, 2018		**(14,605,658)**	**(5,836,600)**	**(9,425,414)**	**(29,867,671)**
Net book value					
At December 31, 2017		$69,656,701	$12,517,211	$96,538,111	$178,712,023
At September 30, 2018		**$65,296,259**	**$11,114,890**	**$88,971,522**	**$165,382,671**

The Company's effective ownership interest in Touquoy is approximately 63.3%. The Company is entitled to recover all operational, overhead, financing and sunk costs prior to any distributions to its partner, in Touquoy. The Company has an option to purchase the interest in Touquoy from this 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. The fair market value will be determined by a valuation completed by a mutually appointed independent valuator.

Royalties

A net smelter return ("NSR") royalty of 3% is payable to a third party in respect of Touquoy, two-thirds of which can be purchased for $2.5 million. During Q1 2018, the Company fulfilled the buyback of the first 1% and provide notice to the royalty holder of such buyback. The second 1% buyback option was earned in Q3 2018. Touquoy is also subject to a 1% NSR royalty payable to the government of Nova Scotia, a requirement for all operating mines in the province.

(Expressed in Canadian Dollars)

10. EXPLORATION AND EVALUATION ASSETS

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

	Beaver Dam	*Cochrane Hill*	*Fifteen Mile Stream*	*Other*	*Total*
Acquisition Costs, December 31, 2017	**$ 1,134,791**	**$ 2,278,597**	**$ 4,149,388**	**$ 2,172,496**	**$ 9,735,272**
Additions	-	-	250,000	-	250,000
Acquisition Costs, September 30, 2018	**$ 1,134,791**	**$ 2,278,597**	**$ 4,399,388**	**$ 2,172,496**	**$ 9,985,272**
Deferred costs, January 1, 2018	**$ 5,154,425**	**$ 7,499,743**	**$ 8,542,868**	**$ 1,996,350**	**$23,193,386**
Compensation	69,202	350,205	1,141,793	768,396	2,329,596
Environmental	1,094,133	628,711	543,664	65,946	2,332,454
Permitting and claims	51,531	-	148,046	307,853	507,430
Assays and metallurgy	86,740	172,304	807,601	427,809	1,494,454
Travel and accommodation	998	16,869	65,078	35,033	117,978
Drilling and fieldwork	-	482,003	2,434,518	1,313,782	4,230,303
Equipment and supplies	23,841	103,764	349,031	338,152	814,788
Expenditures for the period	1,326,445	1,753,856	5,489,731	3,256,971	11,827,003
Deferred costs, September 30, 2018	**$ 6,480,870**	**$ 9,253,599**	**$14,032,599**	**$5,253,321**	**$35,020,389**
Exploration and evaluation assets, September 30, 2018	**$ 7,615,661**	**$ 11,532,196**	**$18,431,987**	**$7,425,817**	**$45,005,661**

	Beaver Dam	*Cochrane Hill*	*Fifteen Mile Stream*	*Other*	*Total*
Acquisition Costs January 1, 2017 and December 31, 2017	**$ 1,134,791**	**$ 2,278,597**	**$ 4,149,388**	**$ 2,172,496**	**$ 9,735,272**
Deferred costs, January 1, 2017	**4,789,912**	**2,152,741**	**282,590**	**789,216**	**8,014,459**
Compensation	1,373	797,893	851,950	299,142	1,950,358
Environmental	336,746	212,305	282,272	-	831,323
Permitting and claims	24,600	21,773	124,857	150,868	322,098
Assays and metallurgy	-	829,851	1,901,578	76,378	2,807,807
Travel and accommodation	-	43,573	59,402	18,929	121,904
Drilling and fieldwork	-	3,082,954	4,527,492	644,095	8,254,541
Equipment and supplies	1,794	358,653	512,727	17,722	890,896
Expenditures for the year	364,513	5,347,002	8,260,278	1,207,134	15,178,926
Deferred costs, December 31, 2017	**$ 5,154,425**	**$ 7,499,743**	**$ 8,542,868**	**$1,996,350**	**$23,193,386**
Exploration and evaluation assets, December 31, 2017	**$ 6,289,216**	**$ 9,778,340**	**$12,692,256**	**$4,168,846**	**$32,928,658**

(Expressed in Canadian Dollars)

11. RESTRICTED CASH

	Notes	September 30, 2018	December 31, 2017
PLF proceeds account	a	$ -	$ 6,000,000
GIC	b	4,065,000	3,871,000
DSRA – Equipment Facility	c	751,122	722,432
		$ 4,816,122	$ 10,593,432

(a) Under the Company's Project Loan Facility ("PLF") (see Note 13), the Company was required to maintain a minimum balance of $6,000,000 in a bank account until the PLF was repaid. On September 21, 2018, all principal and accrued interest owing under the PLF was repaid and the PLF proceeds account was reclassified to cash and cash equivalents. Further, in Q2 2018, the Company was required to hold $7,000,000 of restricted cash, an amount equal to any principal and interest payment owing in the immediate following three-month period under the PLF, which was also released from restricted cash upon repayment of the PLF.

(b) The guaranteed investment certificate ("GIC") of $4,065,000 (2017 - $3,871,000), is a restricted GIC that supports a line of credit that the Bank of Montreal ("BMO") provides to a surety provider that in turn provides a surety bond related to the reclamation performance bond. The GIC represents 50% of an $8,130,000 reclamation performance bond posted with the province of Nova Scotia. The restricted GIC has a maturity date in August 2019 and earns interest at 0.75% per annum. The restricted GIC balance is planned to be liberated in Q4 2018.

The $8.13 million reclamation performance bond represents installments of the $10,400,000 phased reclamation security in respect the MRC mine. The phased approach ensures that adequate security is in place before each phase of disturbance, construction and operation at MRC mine. The total $10,400,000 financial security is to be posted in full by December 31, 2019.

(c) The Debt Service Reserve Account ("DSRA") is required under the Equipment Facility (as defined below in 13d), 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 – Equipment Facility, is to be maintained up to and including three months after Project Completion, as defined under the PLF. Project Completion was achieved in July 2018, with the DSRA balance planned to be liberated in Q4 2018.

(Expressed in Canadian Dollars)

12. OTHER NON-CURRENT ASSETS

	September 30, 2018	December 31, 2017
Reclamation bonds	$ 200,000	$ 200,000
Investment in a private company (a)	1,196,134	248,078
Ore in stockpile inventory (b)	10,087,130	1,954,011
Deferred transaction costs (c)	1,778,875	-
	$ 13,262,139	$ 2,402,089

(a) The Company holds an investment in a privately held company which holds a carried interest of 40% in the tenements of the Company's Touquoy deposit. The fair value of the Company's investment in the privately held company is considered a management estimate whereby significant judgment is applied. Further, the valuation techniques use significant inputs that are not based on observable market data and is therefore classified as a Level 3 financial instrument.

(b) Depreciation included in ore in long term stockpile inventory at September 30, 2018 was $4,508,860 (December 31, 2017 - $845,612).

(c) Deferred transaction costs relate to legal and advisory fees, and other financing expenses with respect to the execution of the Company's revolving credit facility and novation of the Hedge Facility (Note 13a).

(Expressed in Canadian Dollars)

13. LONG-TERM DEBT

	Revolving Credity Facility (a)	Project Loan Facility (b)	Convertible debentures (c)	Equipment Facility (d)	Total
Long-term debt at January 1, 2017	-	32,829,623	12,455,917	9,798,540	55,084,080
Additions	-	81,000,000	-	2,837,086	83,837,086
Principal repayment	-	-	-	(2,226,309)	(2,226,309)
Interest expense and accretion [1]	-	5,586,530	780,161	650,162	7,016,853
Interest payment	-	(2,767,189)	(1,105,000)	(650,162)	(4,522,351)
Transaction costs	-	(3,274,078)	-	-	(3,274,078)
Amortization of transaction costs [1]	-	1,736,860	175,809	-	1,912,669
Long-term debt at December 31, 2017	**-**	**115,111,746**	**12,306,887**	**10,409,317**	**137,827,950**
Additions	**106,104,793**	**-**	**-**	**415,690**	**106,520,483**
Principal repayment	**-**	**(115,000,000)**	**(13,000,000)**	**(1,845,192)**	**(129,845,192)**
Interest expense and accretion [1]	**190,262**	**5,530,540**	**399,288**	**482,381**	**6,602,471**
Interest payment	**-**	**(8,442,450)**	**(486,479)**	**(482,381)**	**(9,411,310)**
Amortization of transaction costs [1]	**-**	**2,800,164**	**244,710**	**-**	**3,044,874**
Transaction costs	**(1,481,166)**	**-**	**-**	**-**	**(1,481,166)**
Settlement of convertible debenture charged to equity	**-**	**-**	**535,594**	**-**	**535,594**
	104,813,889	**-**	**-**	**8,979,815**	**113,793,704**
Less Current portion	**(190,262)**	**-**	**-**	**(3,171,085)**	**(3,361,347)**
Long-term debt at September 30, 2018	**104,623,627**	**-**	**-**	**5,808,730**	**110,432,357**

(1) Interest expense, accretion and amortization of transaction costs were capitalized to the mineral properties prior to the start of commercial production.

(a) Revolving Credit Facility

On September 20, 2018, the Company signed a credit agreement with a syndicate of lenders for a revolving credit facility (the "RCF") for an aggregate amount of $150,000,000. The term of the RCF is three years, maturing on September 20, 2021, with an annual rolling extension, and no mandatory amortization. Amounts that are borrowed under the RCF will incur variable interest depending on the type of loan borrowed plus an applicable margin ranging from 2.00% to 4.00% determined based on the Company's leverage ratio. There is also a standby fee charged on the undrawn loan balance which the rate ranges from 0.75% to 1.00%, depending on the Company's leverage ratio.

The RCF is secured through guarantees and a first ranking charge on all assets of the Company and each of its material subsidiaries. The Company must also maintain certain ratios for leverage and interest coverage. As at September 30, 2018, the Company was in compliance with these debt covenants.

As at September 30, 2018, the Company had drawn down $106,104,793 in the form of a prime rate loan, with a balance of $43,895,207 remaining available for future drawdowns. The initial drawdown on the RCF was used to repay all principal and accrued interest owing on the Company's PLF. Total interest expensed during the period was $190,262. The effective interest rate for the period was 5.95%.

13. LONG-TERM DEBT *(continued)*

(a) Revolving Credit Facility (continued)

As at September 30, 2018, the Company had incurred $3,933,920 in transaction costs (2017 - $nil), consisting of legal and advisory fees, and other financing expenses. Transaction costs have been recorded proportionately against the amount drawn on the RCF and the available credit remaining under the facility, with the remaining balance recognized as current deferred transaction costs and in other long-term assets. As at September 30, 2018, $1,481,166 of RCF transaction costs had been recorded against long-term debt and will be amortized on a straight-line basis over the expected repayment period of the drawdown. The remaining balance has been recorded as current deferred transaction costs and other non-current assets with a portion amortized on a straight-line basis over the life of the credit facility and the remaining balance amortized over the remaining delivery of the gold forward contracts. At September 30, 2018, $673,879 of the deferred transaction costs have been recognized as a current asset with $1,778,875 included in other non-current assets.

(b) Project Loan Facility

On September 21, 2018, the Company repaid all principal and accrued interest owing on the Project Loan Facility. On the date of repayment, $13,000,000 of restricted cash previously held under the PLF was reclassified to cash and cash equivalents. Upon execution of the RCF, the Hedge Facility was novated to the lenders of the RCF (Note 17).

(c) Convertible Debentures

On May 3, 2018, all of the $13,000,000 convertible debentures and $486,479 of unpaid/ accrued interest owing to the date of conversion, was converted into 21,927,360 common shares of the Company.

As at the date of conversion, the convertible debenture liability had not been fully accreted up to the face value of $13,000,000. Given the early prepayment option was exercised by the Company, but the holders of the convertible debenture retained the right to convert the convertible debenture into shares up to the date of prepayment, the accounting treatment is dependant on the Company’s analysis of the economic substance of the transaction. As the Company expected that all holders would convert the convertible debenture into common shares of the Company upon receiving notification of the intended prepayment, the transaction was a forced conversion in substance. Accordingly, the amount recognised in equity in respect of the shares issued was equal to the amount at which the liability for the debt was carried at as at the date of conversion plus the equity component of the convertible debt, which was reclassified to share capital.

(d) Equipment Facility

To date, the Company has entered into a total of 24 equipment lease contracts under the Company’s Equipment Facility. Twenty of the equipment lease contracts were accounted for as finance leasing contracts and as a result, the Company recognized $10,825,007 as a finance lease obligation, which was included as a non-cash addition to equipment within property, plant and equipment. Direct transaction costs of $560,722 were added to the cost base of the leased assets.

The terms of the leases are 4 - 5 years from delivery. 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 Equipment Facility is secured by the Company’s mining fleet.

(Expressed in Canadian Dollars)

14. RECLAMATION PROVISION

The reclamation provision is comprised of:

	September 30, 2018	December 31, 2017
Opening balance	$ 4,066,465	$ 1,581,624
Additions	410,793	2,436,676
Accretion expense	53,872	48,165
Ending balance	$ 4,531,130	$ 4,066,465

The Company has recorded a liability for reclamation of current and past disturbances associated with the exploration and development activities at the MRC mine. The reclamation costs have been calculated to reflect the amount of expected cash flows for the disturbances incurred as at September 30, 2018. The Company applied a discount rate of 1.61% (the risk-free rate) and an inflation rate of 2.0% in calculating the estimated obligation. The liability for reclamation in nominal dollars, undiscounted is $4,764,077. Cash expenditures are expected to occur at the end of the mine life of the MRC mine, estimated in the years 2026 to 2027.

15. DEFERRED INCOME TAX LIABILITY

	September 30, 2018	December 31, 2017
Deferred income tax liability	$ 5,775,254	$ -
	$ 5,775,254	$ -

The deferred income tax liability balance is largely a result of taxable temporary differences resulting from the income generated at the MRC mine consuming formerly recognized loss tax pools which are categorized as deductible temporary differences. A deferred income tax asset was not recorded in prior periods as up until 2018, there was no reasonable expectation of realizing such assets through a history of income. Furthermore, taxable temporary differences exist as a result of the Company incurring flow through related expenditures which are capitalized on the Company's balance sheet but have no tax basis as the expenditures are renounced to the related flow through investor.

16. 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

During the nine months ended September 30, 2018, all Debentures and unpaid accrued interest owing to the Debenture holders were converted into 21,927,360 common shares of the Company (note 13c).

Other than shares issued due to the conversion of the Debentures, exercise of stock options and warrants, there were no additional shares issued during the nine months ended September 30, 2018.

(Expressed in Canadian Dollars)

16. EQUITY (continued)

(b) Issued and fully paid common shares

In the year December 31, 2017, the following private placements were completed:

Date issued	Shares issued	Unit price	Gross Proceeds	Issue costs	Net Proceeds
September 20, 2017	2,304,000	$ 1.40	$ 3,225,600	$ (54,041)	$ 3,171,559
September 20, 2017(i)	305,700	$ 1.80	550,260	(9,184)	541,076
October 5, 2017(i)	3,825,500	$ 1.83	7,000,665	(461,208)	6,539,457
October 5, 2017	2,858,000	$ 1.40	4,001,200	(344,544)	3,656,656
October 5, 2017(i)	2,777,000	$ 1.80	4,998,600	(334,779)	4,663,821
October 24, 2017(i)	835,000	$ 1.80	1,503,000	(13,529)	1,489,471
	12,905,200		$ 21,279,325	$ (1,217,285)	$ 20,062,040

(i) From time to time, the Company may raise funds through the issuance of flow-through shares. Based on Canadian tax law, the Company is required to spend this amount on qualifying exploration expenditures by December 31 of the year after the year the shares are issued. The Company uses the residual method to record the premium of the flow-through share which is recorded as other liability on the consolidated balance sheet. The liability balance is decreased as a result of the Company incurring a portion of the qualifying expenditures, therefore fulfilling part of its obligation with the offset being recognized as a deferred income tax recovery on the statement of income (loss) and comprehensive income (loss). The other liability is comprised of:

	September 30, 2018	December 31, 2017
Opening balance	**$ 2,164,290**	$ 1,165,091
Additions on issue of flow-through shares	**-**	3,212,046
Settlement of liability on expenditures made	**(1,748,138)**	(2,212,847)
Ending balance	**$ 416,152**	$ 2,164,290

(c) Stock options

The Company has a rolling stock option plan pursuant to which the directors of the Company are authorized to grant options to directors, officers, employees and consultants of the Company and its subsidiaries of up to a maximum of 10% of the issued and outstanding common shares at the time of granting of an option. Every option granted, unless sooner terminated, has a term not exceeding 10 years after the date of grant.

(Expressed in Canadian Dollars)

16. EQUITY *(continued)*

(c) Stock options (continued)

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

	Number of Options outstanding	Weighted-average exercise price ($)
Outstanding - January 1, 2017	12,808,700	0.39
Granted	4,385,000	1.01
Forfeited	(241,250)	1.02
Exercised	(3,657,450)	0.44
Outstanding - December 31, 2017	13,295,000	0.58
Granted	**4,335,000**	**1.63**
Exercised	**(2,795,000)**	**0.53**
Outstanding – September 30, 2018	**14,835,000**	**0.93**
Exercisable – September 30, 2018	**11,501,875**	**0.75**

Total share-based payments recognized during the three and nine months ended September 30, 2018 was $852,392 and $3,753,190, respectively (2017: $516,943 and $2,221,202, respectively), with $817,437 and $3,421,559 recognized in the consolidated statement of income (loss) and comprehensive income (loss) (2017: $357,150 and $1,644,232), nil and $191,919 capitalized to property, plant and equipment during the three and nine months ended September 30, 2018 (2017: $147,137 and $519,631), and $34,955 and $139,712, respectively, capitalized to exploration and evaluation assets (2017: $12,323 and $57,340, respectively).

Stock options outstanding and exercisable at September 30, 2018 were as follows:

	Options outstanding			Options exercisable		
	Number of Options	Weighted average exercise price	Weighted average remaining life (years)	Number of Options	Weighted average exercise price	Weighted average remaining life (years)
$0.26 – 0.34	3,420,000	$ 0.28	2.56	3,420,000	$ 0.28	2.56
$0.40 – 0.42	1,745,000	$ 0.42	4.15	1,745,000	$ 0.42	4.15
$0.63 – 0.86	1,550,000	$ 0.75	4.59	1,525,000	$ 0.75	4.58
$0.96 – 1.02	3,475,000	$ 0.96	5.10	3,025,000	$ 0.96	5.10
$1.50 – 1.58	460,000	$ 1.56	5.76	248,750	$ 1.56	5.68
$1.60 – 1.63	3,935,000	$ 1.63	6.14	1,475,625	$ 1.63	6.14
$1.74 – 1.92	250,000	$ 1.85	6.37	62,500	$ 1.85	6.37
	14,835,000	$ 0.93	4.7	11,501,875	$ 0.75	4.3

(Expressed in Canadian Dollars)

16. EQUITY *(continued)*

(d) Stock options (continued)

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. The weighted average fair value of the stock options granted during the nine months ended September 30, 2018 was $1.09 (2017 - $0.66). The following assumptions were used in the valuation of the stock options granted in the nine months ended September 30, 2018:

Risk-free interest rate	2.08% - 2.24%
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, development and operating company. Expected forfeiture rates are based on historical forfeitures of stock options of the Company.

(e) Share Purchase Warrants

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

	Number of outstanding warrants	Weighted-average exercise price (in $)
Balance - January 1, 2017	23,118,384	0.60
Exercised	(2,386,267)	0.60
Balance - December 31, 2017	20,732,117	0.60
Exercised	(19,641,735)	**0.60**
Expired	(1,090,382)	**0.60**
Balance – September 30, 2018	**-**	**-**

(Expressed in Canadian Dollars)

17. REVENUE

Revenue for the three and nine months ended September 30, comprised the following:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Gold revenue - Hedge facility	$ 35,250,857	$ -	$ 64,942,719	$ -
Gold revenue - Spot sales	6,700,206	-	25,873,341	-
Less refining costs	(37,488)	-	(132,383)	-
	$ 41,913,575	$ -	$ 90,683,677	$ -

In order to mitigate gold price risk and as a condition of the PLF, the Company was required to enter into margin free gold forward sales contracts of 215,000 ounces at a minimum Canadian dollar forward price of $1,550 (the “Hedge Facility”). On September 21, 2018, the Company novated the Hedge Facility to the lenders of the RCF (Note 13a), while maintaining the same forward price of $1,550.

The average sale price for the gold forward sales during the three and nine months ended September 30, 2018 was $1,547 per ounce. The remaining commitment is 166,673 ounces between October 2018 and February 2021.

For accounting purposes, management has determined that the Hedge Facility continues to meet the requirements of ‘own use’ and is thereby exempt from the requirements of IFRS 9. 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.

18. COST OF SALES

Cost of sales for the three and nine months ended September 30, comprised the following:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Salaries and benefits, and consultants	$ 6,903,136	$ -	$ 15,562,821	$ -
Supplies and consumables	4,956,564	-	11,056,022	-
Royalties	515,818	-	1,003,724	-
Energy	969,778	-	2,293,761	-
Site administrative costs	951,338	-	1,805,690	-
Rentals	501,839	-	1,153,184	-
Environmental	247,451	-	754,478	-
Site share-based payments	155,280	-	588,964	-
Production costs	(15,201,204)	-	(34,218,644)	-
Change in inventory	449,743	-	1,913,099	-
	$ (14,751,461)	$ -	$ (32,305,545)	$ -

(Expressed in Canadian Dollars)

19. GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs for the three and nine months ended September 30, were comprised of:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Amortization	$ 26,730	$ 24,847	$ 80,553	$ 73,520
Corporate Development and investor relations	82,214	71,031	251,558	371,357
Director fees	78,125	55,625	226,000	191,375
Management Fees, salaries and benefits	756,401	383,101	2,267,313	1,177,539
Office and general	51,268	65,656	167,167	186,211
Professional fees	133,463	296,731	521,103	625,121
Rent	45,741	50,050	146,783	149,271
Share-based payments	662,157	357,150	2,832,595	1,644,232
Transfer agent and filing fees	20,572	15,571	132,307	62,583
Travel, meals and entertainment	49,164	37,054	115,201	69,202
	$ 1,905,835	$ 1,356,817	$ 6,740,580	$ 4,550,412

20. INTEREST AND FINANCING COSTS

Interest and financing costs for the three and nine months ended September 30, were comprised of:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Interest on loan facilities	$ (1,922,367)	$ -	$ (4,448,717)	$ -
Amortization of transaction costs on the PLF	(2,106,713)	-	(2,743,990)	-
Interest and accretion of convertible debt	-	-	(422,226)	-
Financing fees on capital leases	(158,994)	-	(379,350)	-
Reclamation accretion expense	(17,889)	(5,990)	(53,872)	(32,108)
Other financing charges	(10,748)	(54,592)	(110,748)	(547,422)
	$ (4,216,711)	$ (60,582)	$ (8,158,903)	$ (579,530)

Prior to the start of commercial production on March 1, 2018, interest and financing costs, other than stand-by fees were capitalized to Property, plant and equipment. As a result of the repayment of the PLF (Note 13b), the Company expensed the remaining unamortized balance of deferred transaction costs relating to the PLF in the amount of $2,106,713.

(Expressed in Canadian Dollars)

21. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

(a) Key management compensation

Key management includes the Company's directors, Chief Executive Officer, Chief Operating Officer and Chief Financial Officer. Compensation awarded to key management for the three and nine months ended September 30 is as follows:

	Three months ended September 30, 2018	Three months ended September 30, 2017	**Nine months ended September 30, 2018**	Nine months ended September 30, 2017
Salaries and benefits	**$ 190,444**	$ 101,506	**$ 505,612**	$ 359,788
Consulting fees	**173,461**	166,074	**541,614**	533,924
Director fees	**60,625**	55,625	**203,916**	191,375
Share-based payments	**730,074**	319,941	**2,239,556**	1,479,009
	$ 1,154,604	$ 643,146	**$ 3,490,698**	$ 2,564,096

(b) Amount due to related parties

Amounts due to related parties at of September 30 are as follows:

	September 30, 2018	December 31, 2017
Beedie Investments Limited[1]	**$ -**	$ 7,573,469
Sirocco Adivsory Services[2,4]	**58,960**	428,246
Metallica Consulting Services[3,4]	**15,500**	14,000
Directors[4]	**59,556**	15,500
Officers[4]	**-**	293,059
	$ 134,016	$ 8,324,274

(1) In May 2016, the Company issued $8 million of Debentures to Beedie Investment Limited, a company controlled by a director of the Company. On April 23, 2018, all Debentures and unpaid accrued interest owing to Beedie Investment Limited was converted into 13,491,738 common shares of the Company.
(2) Sirocco Advisory Services, is a company controlled by a director and officer of the Company.
(3) Metallica Consulting Services is a company controlled by a director of the Company.
(4) Amounts due to related parties are unsecured, non-interest bearing and due on demand.

(c) Amount due from related parties

The Company charges office lease and administrative expenditures to Oceanic Iron Ore Corp. ("Oceanic"), a Company with officers and directors in common. During the three and nine months ended September 30, 2018, office lease and administrative expenditures billed to Oceanic amounted to $19,424 and $62,300, respectively (2017: $16,744 and $60,839, respectively). As at September 30, 2018, the Company was due $42,695 from Oceanic (December 31, 2017: $49,168).

(Expressed in Canadian Dollars)

22. FINANCIAL INSTRUMENTS

Fair value measurements

Financial instruments of the Company as at September 30, 2018 and December 31, 2017 are summarized as follows:

	September 30, 2018		December 31, 2017	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	**$ 40,078,677**	**$ 40,078,677**	$ 22,093,914	$ 22,093,914
Due from related parties	**42,695**	**42,695**	49,168	49,168
Receivables	**292,442**	**292,442**	223,539	223,539
Restricted cash	**4,816,122**	**4,816,122**	10,593,432	10,593,432
Investment in a private company	**1,196,134**	**1,196,134**	248,077	N/A
Financial liabilities				
Accounts payable and accrued liabilities	**$ 16,868,747**	**$ 16,868,747**	$ 22,807,073	$ 22,807,073
PLF	**-**	**-**	115,111,746	113,789,000
Revolving Credit Facility	**104,813,889**	**104,010,874**	-	-
Equipment facility	**8,979,815**	**8,175,054**	10,409,317	9,859,000
Due to related parties	**134,016**	**134,016**	750,805	750,805

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.

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. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The Company's investment in a private company is categorized as Level 3 on the fair value hierarchy as observable market data for this investment is not available.

23. SUBSEQUENT EVENTS

Subsequent to September 30, 2018, 175,625 stock options were exercised for total proceeds of $90,913.