Atlantic Gold Corporation

Unaudited Condensed Interim Consolidated Financial Statements
September 30, 2016 and 2015
(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Atlantic Gold Corporation have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Atlantic Gold Corporation
Condensed Interim Consolidated Balance Sheets

	September 30, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$ **32,210,626**	$ 10,764,172
Prepaid expenses and deposits	**878,520**	135,319
Receivables (Note 4)	**6,180,192**	513,519
Due from related party (Note 13)	**30,175**	19,305
Total Current Assets	**39,299,513**	11,432,315
Property, plant and equipment (Note 5, 11)	**72,371,950**	4,411,126
Mineral Properties (Note 6)	**15,442,295**	27,630,686
Restricted cash (Note 7)	**9,314,868**	-
Other non-current assets	**448,077**	448,077
TOTAL ASSETS	$ **136,876,703**	$ 43,922,204
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ **20,328,213**	$ 1,577,265
Due to related parties (Note 13)	**52,400**	356,308
Current portion of convertible debenture - liability component (Note 8)	**432,918**	-
Current portion of lease obligation (Note 11)	**1,669,467**	-
Other liability (Note 12b)	**1,489,124**	-
	23,972,122	**1,933,573**
Non-current liabilities		
Reclamation provision (Note 10)	**1,659,726**	-
Non-current portion of convertible debenture (Note 8)	**12,196,584**	-
Lease obligation (Note 11)	**8,234,556**	-
Project Loan Facility (Note 9)	**15,929,211**	-
TOTAL LIABILITIES	**61,992,199**	**1,933,573**
Shareholders' equity		
Share capital (Note 12a, 12b)	**103,929,105**	68,594,009
Contributed surplus (Note 12c)	**13,153,379**	12,657,504
Convertible debenture - equity component (Note 8)	**277,917**	-
Deficit	**(42,475,897)**	(39,262,882)
Total Shareholders' Equity	**74,884,504**	41,988,631
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ **136,876,703**	$ 43,922,204

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 unaudited interim financial statements

Atlantic Gold Corporation

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

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Expenses				
Amortization	$ 45,025	$ 9,819	$ 64,186	$ 43,447
Corporate Development and investor relations	86,450	88,321	201,373	319,020
Director fees	24,625	18,750	62,125	56,250
Management Fees, salaries and benefits	340,339	177,656	819,366	548,793
Office and general	60,222	28,450	196,375	116,554
Professional fees	45,560	202,122	181,598	481,314
Rent	49,584	35,063	142,961	105,023
Share-based payments (Note 12c)	414,825	100,559	831,045	464,672
Transfer agent and filing fees	13,276	16,619	60,705	95,758
Travel, meals and entertainment	23,608	1,150	59,041	13,678
Net loss from operations	(1,103,514)	(678,509)	(2,618,775)	(2,244,509)
Other income / (expense)				
Impairment of property, plant & equipment	-	-	-	(36,681)
Financing costs	(495,658)	-	(759,200)	-
Interest and other income	45,145	29,204	67,314	102,518
Net loss before income taxes	(1,554,027)	(649,305)	(3,310,661)	(2,178,672)
Deferred income tax recovery (Note 8)	-	-	97,646	-
Net loss and comprehensive loss for the period	$ (1,554,027)	$ (649,305)	$ (3,213,015)	$ (2,178,672)
Weighted average number of shares outstanding	166,927,141	115,491,447	140,535,631	114,844,930
Loss per share, basic and diluted	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)

Atlantic Gold Corporation

Condensed Interim Consolidated Statements of Changes in Equity (unaudited)

	Share capital					
	Number of shares	Amount	Contributed surplus	Convertible Debenture	Deficit	Total equity
Balance - January 1, 2016	**115,491,447**	**$ 68,594,009**	**$ 12,657,504**	**$ -**	**$ (39,262,882)**	**$ 41,988,631**
Share-based payments	-	-	976,489	-	-	976,489
Exercise of stock options	2,530,000	1,404,014	(480,614)	-	-	923,400
Exercise of share purchase warrants	18,977	11,386	-	-	-	11,386
Private placement - May 16, 2016 (Note 12b)	46,531,749	27,919,046	-	-	-	27,919,046
Share issuance costs - May 16, 2016	-	(1,268,219)	-	-	-	(1,268,219)
Private placement - September 22, 2016 (Note 12b)	8,759,550	7,708,403	-	-	-	7,708,403
Share issuance costs - September 22, 2016	-	(439,534)	-	-	-	(439,534)
Convertible debenture - equity portion (Note 8)	-	-	-	393,323	-	393,323
Convertible debenture - issuance costs (Note 8)	-	-	-	(17,760)	-	(17,760)
Deferred income tax on convertible debenture (Note 8)	-	-	-	(97,646)	-	(97,646)
Net loss and comprehensive loss for the period	-	-	-		(3,213,015)	(3,213,015)
Balance - September 30, 2016	**173,331,723**	**$ 103,929,105**	**$ 13,153,379**	**$ 277,917**	**$ (42,475,897)**	**$ 74,884,504**

	Share capital					
	Number of shares	Amount	Contributed surplus	Convertible	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	-	-	544,783	-	-	544,783
Settlement of Contingent Shares	1,932,446	521,760	(521,760)	-		-
Net loss for the period	-	-	-	-	(2,178,672)	(2,178,672)
Balance - September 30, 2015	**115,491,447**	**$ 68,594,009**	**$ 12,562,164**	**$ -**	**$ (38,316,348)**	**$ 42,839,825**

Atlantic Gold Corporation

Condensed Interim Consolidated Statements of Cash Flows (unaudited)

		Nine months ended September 30, 2016		Nine months ended September 30, 2015
Cash used in operating activities				
Net loss and comprehensive loss for the period	**$**	**(3,213,015)**	$	(2,178,672)
Adjustments for:				
Deferred income tax recovery (Note 8)		**(97,646)**		43,447
Amortization		**64,186**		36,681
Impairment of property, plant & equipment		**-**		464,672
Share-based payments		**831,045**		-
Interest and other income		**(67,314)**		(102,518)
Net changes in non-cash working capital:				
Receivables		**173,250**		33,900
Due from related parties		**(10,870)**		24,058
Prepaid expenses and deposits		**(44,785)**		(6,809)
Accounts payable and accrued liabilities		**787,576**		(393,336)
Due to related parties		**(303,908)**		(26,375)
Net cash used in operating activities		**(1,881,481)**		(2,104,950)
Investing activities				
Property, plant and equipment		**(21,850,105)**		(11,425)
Mineral property expenditures		**(11,069,594)**		(4,613,380)
Restricted cash - Surety bond letter of credit (Note 7)		**(2,744,000)**		-
Interest received		**54,073**		111,524
Net cash used in investing activities		**(35,609,626)**		(4,513,281)
Financing activities				
Proceeds from stock option exercise		**923,400**		-
Proceeds from exercise of share purchase warrants		**11,386**		-
Proceeds from Project Loan Facility (Note 9)		**20,000,000**		-
Project Loan Facility transaction costs		**(2,733,469)**		-
Proceeds from convertible debenture, net of issuance costs		**13,000,000**		-
Convertible debenture transaction costs (Note 8)		**(586,973)**		-
Restricted cash - DSRA (Note 7)		**(570,868)**		-
Restricted cash - Proceeds account (Note 7)		**(6,000,000)**		-
Finance lease payments		**(514,735)**		-
Proceeds from private placement net of issuance costs (Note 12b)		**37,116,573**		-
Private placement issuance costs (Note 12b)		**(1,707,753)**		-
Net cash provided in financing activities		**58,937,561**		-
Change in cash and cash equivalents during the period		**21,446,454**		(6,618,231)
Cash and cash equivalents, beginning of period		**10,764,172**		18,266,882
Cash and cash equivalents, end of period	**$**	**32,210,626**	$	11,648,651
Cash and cash equivalents are comprised of the following:				
Cash	**$**	**32,163,951**	$	395,288
GIC		**46,675**		11,253,363
	$	**32,210,626**	$	11,648,651
Non cash investing and financing activities				
Accretion on debt portion of convertible debenture	**$**	**592,039**	$	-
Tax recovery of convertible debenture issuance		**97,646**		-
Change in mineral property expenditures in accounts payable		**(324,942)**		493,971
Change in property, plant and equipment in accounts payable		**16,950,994**		-
Change in Project Loan Facility transaction costs in accounts payable		**1,337,320**		-
Lease obligation		**10,344,293**		-
Accretion charge on lease obligation		**74,465**		-
Share based payments charged to property, plant and equipment		**90,367**		-
Share based payments charged to mineral properties		**55,077**		62,854

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.

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

2. Significant Accounting Policies

a) Basis of Accounting

These unaudited condensed interim financial statements for the three and nine months ended September 30, 2016 (the "Interim Financial Statements") have been prepared in accordance with International Auditing Standard 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, 2015, which have been prepared in accordance with International Financial Reporting Standards ("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 2015 annual consolidated financial statements, except for the adoption of new standards as described below.

These Interim Financial Statements were approved by the board of directors on November 24, 2016.

b) Accounting Policies Recently Adopted

Property, Plant and Equipment - Mine property

Mine property consists of development costs carried at cost, less accumulated depletion. Costs of project development are capitalized to mine property within property, plant and equipment. Once the mineral property is in production, it will be depleted using the units-of-production method. Depletion is determined each period using gold equivalent ounces mined over the asset's estimated recoverable reserves.

2. Significant Accounting Policies *(continued)*

Property, Plant and Equipment - Mine Construction and Development

Costs recorded for assets under construction are capitalized as construction in progress. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment. No depreciation is recorded until assets are substantially complete and available for their intended use.

Property, Plant and Equipment - Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use are capitalized as part of the cost of the asset. Capitalization of borrowing costs begins when there are borrowings and when activities commence to prepare an asset for its intended use. Capitalization of borrowing costs ends when substantially all activity necessary to prepare a qualifying asset for its intended use are complete. When proceeds of project specific borrowings are invested on a temporary basis, borrowing costs are capitalized net of any investment income.

Property, Plant and Equipment

Depreciation is calculated at the following annual rates:

Equipment	straight-line 8%-50%
Capital Leases	straight-line 8%-25%

Convertible Debenture

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

2. Significant Accounting Policies *(continued)*

b) Accounting Policies Recently Adopted *(continued)*

Leases

Contracts which contain the legal form of a lease are classified as either finance or operating leases. Finance leases represent leases that transfer substantially all of the risks and rewards of ownership of the leased asset. They are capitalized at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments and these capitalized costs are depreciated over the shorter of the period of expected use and the lease term unless there is a reasonable certainty the lessee will obtain ownership of the asset by the end of the lease term in which case it should be depreciated over its useful life. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recorded as paid in the Company's Consolidated Statements of Loss. Lease payments made on equipment used in the Company's exploration and development activities are capitalized to mineral properties and property, plant and equipment during construction of the Company's Touquoy deposit. In addition to contracts which take the legal form of a lease, other significant contracts are assessed to determine whether, in substance, they are or contain a lease, if the contractual arrangement contains the use of a specific asset and the right to use that asset.

c) Changes in accounting standards not yet effective

Leases

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16") which replaces IAS 17 – *Leases* and its associated interpretive guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

3. Critical accounting estimates and judgments

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

3. Critical accounting estimates and judgments *(continued)*

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

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

Reclamation provision

Reclamation costs are a normal consequence of mining, and the majority of closure and reclamation expenditures are incurred near the end of the life of the mine. The Company's accounting policy requires the recognition of such provisions when the obligation occurs. The initial provisions are periodically reviewed during the life of the operation and updated to reflect new developments or changes in estimates and forecasts. Although the ultimate cost to be incurred is uncertain, the Company estimates its costs based on studies using current reclamation standards and techniques. The initial reclamation provisions together with changes, are capitalized within property, plant and equipment and depreciated over the lives of the assets to which they relate.

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

Impairment of Property, Plant and Equipment

The application of the Company's accounting policy for impairment of property, plant and equipment – mine property and mine construction and development, requires judgement to determine whether indicators of impairment exist. The review of impairment indicators includes consideration of both external and internal sources of information, including factors such as market and economic conditions, metal prices and forecasts and estimated project economics. Please refer to Note 5 for Management's assessment of impairment on the Company's mine property and mine construction and development as of September 30, 2016.

3. Critical accounting estimates and judgments *(continued)*

Lease Obligation

In determining the present value of the minimum lease payments of the Company's finance leases, estimation is used when determining the discount rate to be applied, which under IAS 17 is the interest rate implicit in the lease. The interest rate implicit in the lease is the lessor's internal rate of return from the lease taking into account the normal cash price of the leased asset, rentals and the amount the lessor expects to recover from the assets residual value. As this rate is not stipulated in the lease agreements, the implicit rate is derived by Management's best estimate of the rate from the information available.

Hedge Facility – Own Use

Contracts to buy or sell a non-financial item, such as a commodity, that can be settled net in cash or another financial instrument, fall under the scope of IAS 39 and are accounted for as derivatives and marked to market through the statement of loss and comprehensive loss. However, certain criteria exist whereby a contract may fall under an 'own use' exemption, and exempt from the requirements of IAS 39. The determination of the Company's accounting for its gold hedging contracts (Note 9b) requires judgement to determine whether the contracts meet the requirements of 'own use'. An 'Own Use' contract is a contract that was entered into and continues to be held for the purpose of the delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements. In the case of the Company's gold hedging contracts, the Company plans to settle the hedging contracts through the delivery of its own gold production, and therefore, these contracts result in the physical delivery of a commodity, and as per the Project Loan Facility ("PLF" and defined in Note 9a), there is a specified schedule whereby the Company will be required to deliver a set number of ounces. Given that the Company is neither currently in production nor a Company with a history of production, the Company determined based on the Company's current life of mine plan, that the production of ore will be sufficient to fulfill the physical delivery requirements of the hedge contracts based on the agreed schedule within the PLF.

Convertible Debenture

Measurement of the fair value of the liability component of the convertible debenture (Note 8) includes estimates of (i) the amount and timing of cash flows, and (ii) the Company's cost of debt. Actual results may differ from these estimates.

4. Receivables

		September 30, 2016		December 31, 2015
Input tax credits	$	5,939,588	$	233,956
NSDNR security for settlement of expropriated properties		206,698		206,698
Interest and other receivables		33,906		72,865
	$	**6,180,192**	$	513,519

4. Receivables *(continued)*

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

5. Property, plant and equipment

	Mine Property	Mine Construction and Development	Capital leases	Equipment	Land	Total
At December 31, 2015						
Cost	$ -	$ -	$ -	$ 251,052	$ 4,299,805	$ 4,550,857
Accumulated depreciation	-	-	-	(139,731)	-	(139,731)
Net book Value	**-**	**-**	**-**	**111,321**	**4,299,805**	**$ 4,411,126**
Period ended Sept 30, 2016						
At January 1, 2016	-	-	-	111,321	4,299,805	$ 4,411,126
Reclassification from mineral properties	13,988,876	9,016,890	-	-	-	23,005,766
Reclamation provision (Note 11)	1,659,726	-	-	-	-	1,659,726
Borrowing costs (Note 9)	592,039	-	-	-	-	592,039
Additions	3,792,946	28,107,250	10,894,808	412,825	10,000	43,217,829
Depreciation for the period	-	-	(411,257)	(103,279)	-	(514,536)
Closing net book value	**20,033,587**	**37,124,140**	**10,483,551**	**420,867**	**4,309,805**	**$ 72,371,950**
At September 30, 2016						
Cost	20,033,587	37,124,140	10,894,808	663,877	4,309,805	$ 73,026,217
Accumulated depreciation	-	-	(411,257)	(243,010)	-	(654,267)
Net book Value	**$ 20,033,587**	**$ 37,124,140**	**$ 10,483,551**	**$ 420,867**	**$ 4,309,805**	**$ 72,371,950**

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

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

6. Mineral Properties – Nova Scotia

Nine months ended September 30, 2016

	Beaver Dam	Touquoy	Cochrane Hill	Fifteen Mile Stream and Other	Total
Acquisition Costs beginning of period	**$ 1,134,791**	**$ 10,035,517**	**$ 2,278,597**	**$ 6,321,884**	**$ 19,770,789**
Reclassification to property, plant and equipment (Note 5)	-	(10,035,517)	-	-	(10,035,517)
Acquisition Costs end of period	1,134,791	-	2,278,597	6,321,884	9,735,272
Cumulative exploration costs - Beginning of period	**$ 4,025,390**	**$ 3,173,012**	**$ 288,020**	**$ 373,475**	**$ 7,859,897**
Additions - Exploration Costs					
Engineering	-	8,638,525	-	-	8,638,525
Salaries & Consulting Fees*	137,739	364,621	1,020	62,060	565,440
Environmental	335,245	129,751	13,228	-	478,224
Construction & Development	-	216,452	-	-	216,452
Permitting & claims	24,778	134,537	-	149,184	308,499
Borrowing Costs	-	138,881	-	-	138,881
Office and Admin.	129,333	21,001	-	59	150,393
Assays & Metallurgy	2,406	28,115	2,334	80,660	113,515
Travel & Accomodation	-	44,147	-	1,737	45,885
Drilling & Fieldwork	-	73,005	3,760	72,378	149,144
Equipment & Supplies	908	8,202	-	2,749	11,859
Other	-	-	-	559	559
Exploration expenditures for the period	630,409	9,797,237	20,342	369,387	10,817,376
Reclassification to property, plant and equipment (Note 5)	-	(12,970,249)	-	-	(12,970,249)
Cumulative exploration costs - End of period	**$ 4,655,799**	**$ -**	**$ 308,362**	**$ 742,862**	**$ 5,707,023**
Grand Total - Mineral Properties	**$ 5,790,590**	**$ -**	**$ 2,586,959**	**$ 7,064,746**	**$ 15,442,295**

**Includes a portion of share-based payments of $55,077*

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 (2014: nil)

7. Restricted cash

		September 30, 2016		December 31, 2015
Restricted Cash	$	9,314,868	$	-
	$	**9,314,868**	$	-

The restricted cash balance includes $6,000,000 held in respect of requirements under the Company's PLF (as defined in Note 9), whereby the Company is required to maintain a minimum balance of $6,000,000 in a bank account until the PLF is repaid. A balance of $2,744,000 represents 80% of a $3.43 million reclamation performance bond that was issued by way of a surety bond on May 26, 2016 (the "Surety Bond"), through the Company's wholly owned subsidiary, Atlantic Mining NS Corp. ("Atlantic Mining"), and a surety provider. The $3.43 million is the first installment of a $10.4 million phased reclamation security in respect of Touquoy. The phased approach ensures that adequate security is in place before each phase of disturbance, construction and operation at Touquoy. The total $10.4 million financial security is to be posted in full by December 31, 2019 (Note 15).

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

The remaining $570,868 balance is cash held in respect of the Company's Debt Service Reserve Account ("DSRA") under its Equipment Facility (Note 11), whereby the Company is required to maintain an amount equal to 100% of one quarterly payment in respect of all leases under the Equipment Lease Facility. The DSRA is to be maintained up to and including three months after Project Completion (as defined in Note 9).

8. Convertible Debenture

On May 10, 2016, the company completed a non-brokered financing of $13 million by way of issuance of convertible debentures (the "Debentures"). The Debentures carry an interest rate of 8.5%, with the principal payment due on the later of (a) May 10, 2021 and (b) the date that is the earlier of (i) six months after the final maturity date of the Company's $115 million PLF (note 9) and (ii) May 30, 2022. The principal amount of the Debentures are convertible at the subscriber's option into common shares of the Company at a conversion price of $0.60 per share, representing a 20% premium to the closing trading price of the common shares of the Company, prior to the date the financing was originally announced. Accrued interest will also be convertible into common shares of the Company but at the market price of the shares at the time of conversion.

The Company may prepay, with notice, all of the principal amount of the Debenture and all accrued and unpaid interest thereon at any time following May 10, 2018. The Debentures are convertible at any time, at the subscriber's option, and are secured by way of a charge against all existing assets of the Company and its material subsidiaries, subordinated to the lenders of the PLF (Note 9). The Debentures include a clause whereby if the Company is in default with the PLF and such default is not waived and remains un-remedied for a period of 30 days, there is an event of default on the Debentures, and the entire unpaid principal amount plus all accrued and unpaid interest becomes due immediately.

8. Convertible Debenture *(continued)*

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

Issuance costs of $586,974 were incurred and have been recorded against the liability and equity components. The liability balance of the issuance costs will be capitalized as borrowing costs to mine property within property, plant and equipment and amortized over the earlier of the life of the Debenture and the commencement of commercial production at the Touquoy project. Accretion expense for the three and nine months ended September 30, 2016 was $392,645 and $592,039, respectively (2015: nil) and has been capitalized as borrowing costs to mine property within property, plant and equipment.

	Liability component	Equity component	Total
Opening balance - January 1, 2016	**$ -**	**$ -**	**$ -**
Issued - amount at date of issue (May 10, 2016)	12,606,677	393,323	**13,000,000**
Issuance costs allocated	(569,214)	(17,760)	**(586,974)**
Deferred income tax asset (liability)	-	(97,646)	**(97,646)**
Amortization of issuance costs	94,869	-	**94,869**
Accretion expense	497,170	-	**497,170**
Balance - September 30, 2016	**$ 12,629,502**	**$ 277,917**	**$ 12,907,419**

9. Long-term Debt

a. Project Loan Facility

	September 30, 2016	December 31, 2015
Project Loan Facility	$ 20,000,000	$ -
Deferred Finance costs	(4,070,789)	-
	$ 15,929,211	$ -

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

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

9. Long-term Debt *(continued)*

Drawdown under the Credit Agreement is subject to the satisfaction of certain customary conditions precedent. The PLF is secured through guarantees and a first ranking charge on all assets of the Company and each of its material subsidiaries, and a guarantee from MRRI in respect of its beneficial interest in Touquoy.

Pursuant to the terms of the PLF, the Company is required to maintain certain project covenants as well as a current ratio of at least 1.25:1, at all times commencing from the initial draw down of the PLF. On September 30, 2016, the Company signed an amendment to the Credit Agreement, to amend certain definitions within the Credit Agreement, including certain covenants as well as the PLF repayment schedule. As at the date of this report, the Company is in compliance with the covenants of the PLF.

On September 30, 2016, the Company made its first draw down of the PLF in the amount of $20,000,000. Total finance costs in respect of the PLF were $4,070,789 which have been deferred and will be amortized over the life of the debt facility.

As at September 30, 2016, the Company is committed to interest payments and minimum future principal payments for the Credit Facility, as follows:

2016		445,000
2017		4,978,000
2018		33,388,000
2019		57,062,000
2020		33,822,000
	$	129,695,000

b. Hedge Facility

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

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

10. Reclamation Provision

The Company has recorded a liability for remediation of current and past disturbances associated with the exploration and development activities at the MRC Project. At September 30, 2016, the reclamation provision was estimated at $1,659,726 (December 31, 2015 - $nil). The reclamation costs have been calculated to reflect the amount of expected cash flows for the disturbances incurred as at September 30, 2016. The Company applied a discount rate of 1.0% (the credit adjusted risk-free rate) and an inflation rate of 2.0% in calculating the estimated obligation. The liability for remediation on an undiscounted basis is $1,825,439. Total accretion for the three and nine month periods ended September 30, 2016 was $1,000 (2015 - $nil).

11. Lease Obligation

	September 30, 2016	December 31, 2015
Total minimum lease payments	12,032,204	-
Effect of discounting	(1,687,911)	-
	$ 10,344,293	$ -
Present value of minimum lease payments	10,344,293	-
Principal payments	(514,735)	-
Finance charge	74,465	-
Balance - September 30, 2016	**$ 9,904,023**	
Payments under finance leases		
Within 1 year	2,312,043	-
2 to 3 years	4,624,087	-
4 to 5 years	4,571,048	-
	$ 11,507,178	$ -

On May 26, 2016, the Company executed a definitive Master Lease Agreement in respect of a $20 million mining fleet equipment lease facility (the “Equipment Facility”) to fund the Company’s acquisition of mining equipment for the Company’s MRC Project. The term of the Equipment Facility is 5 years from delivery, and is secured by the mining fleet. Title to the mining fleet will transfer to the Company at the completion of the Equipment Facility.

During the period ended September 30, 2016, the Company entered into 15 equipment lease contracts, 14 of which form part of the $20 million Equipment Facility which was executed on May 26, 2016. The equipment lease contracts are accounted for as finance leasing contracts under IAS 17. As at September 30, 2016, the Company recognized $10,344,293 as a finance lease obligation, which was included as a non-cash addition to equipment, within PP&E, with a corresponding amount recognized as a finance lease obligation. Direct transaction costs of $550,476 have been added to the cost base of the lease asset. Lease payments under the Equipment Facility are payable on a quarterly basis and comprise principal payments and interest, interest being CDOR plus 5.35%. The lease payment schedule is thus amended for each ninety day period to reflect increases or decreases to CDOR. The Company incurred principal payments of $514,735 during the nine and three month periods ended September 30, 2016 (2015 – nil). Total finance expenses incurred during the period was $74,465 (2015 – nil), which have been capitalized to mine property within property, plant and equipment.

12. 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) Issued and fully paid common shares

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

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

c) 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.

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

	Options		Weighted average exercise price
Options outstanding - January 1, 2015	7,373,700	$	0.38
Granted	3,940,000		0.26
Options outstanding - December 31, 2015	**11,313,700**	**$**	**0.34**
Granted	4,025,000		0.53
Exercised	(2,530,000)		0.37
Options outstanding - September 30, 2016	**12,808,700**	**$**	**0.39**
Options exercisable - September 30, 2016	**9,406,825**	**$**	**0.35**

12. Equity *(continued)*

c) Stock options *(continued)*

During the three months ended September 30, 2016, the Company granted a total of 1,300,000 stock options to an officer and employee of the Company. The weighted average exercise price of the options granted for the three months ended September 30, 2016 was $0.74 per option (2015 – 3,790,000 stock options granted with an exercise price of $0.255). 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 period was $450,115 (2015 - $117,816), with $414,825 recognized in the statement of loss (2015 - $100,559), $35,290 capitalized to mine property within property, plant and equipment (2015 – nil) and $nil capitalized to mineral properties (2015 - $17,257).

During the nine months ended September 30, 2016, the Company granted a total of 4,025,000 stock options to directors, officers, employees and consultants of the Company. The weighted average exercise price of the options granted for the nine months ended September 30, 2016 was $0.53 per option (2015 – 3,790,000 stock options granted with an exercise price of $0.255). 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 period was $976,489 (2015 - $544,783), with $826,099 recognized in the statement of loss (2015 - $464,672), $150,390 capitalized to mine property within property, plant and equipment (2015 – nil), and $nil capitalized to mineral properties (2015 - $80,111).

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

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

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

12. Equity *(continued)*

c) Stock options *(continued)*

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

Number of Options	Exercise Price	Expiry Date	Number Exercisable
1,000,000	0.40	April 10, 2017	1,000,000
100,000	0.37	May 10, 2017	100,000
973,700	0.50	August 28, 2017	973,700
1,050,000	0.40	November 1, 2017	1,050,000
50,000	0.40	July 26, 2018	50,000
1,700,000	0.32	June 13, 2019	1,700,000
3,790,000	0.255	December 6, 2021	3,316,250
150,000	0.335	July 14, 2022	75,000
50,000	0.330	October 4, 2022	-
2,545,000	0.420	November 24, 2022	954,375
50,000	0.630	February 16, 2023	12,500
50,000	0.660	March 13, 2023	12,500
1,100,000	0.730	April 8, 2023	137,500
200,000	0.810	April 25,2023	25,000
12,808,700			9,406,825

d) Share purchase warrants

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

	Number		Weighted average exercise price	Expiry date
Balance - January 1, 2015	-	$	-	-
Issued	23,137,361		0.60	August 20, 2018
Balance December 31, 2015	23,137,361			
Exercised	(18,977)		0.60	
Balance - September 30, 2016	**23,118,384**	**$**	**0.60**	

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:

	Three months ended September 30, 2016	Three months ended September 30, 2015	**Nine months ended September 30, 2016**	Nine months ended September 30, 2015
Salaries and benefits	**$ 168,238**	$ 68,470	**$ 322,779**	$ 203,385
Consulting fees	**147,750**	141,388	**453,853**	448,274
Director fees	**18,750**	18,750	**56,250**	56,250
Share-based payments	**382,236**	101,187	**808,777**	468,076
	$ 716,974	$ 329,795	**$ 1,641,659**	$ 1,175,985

b) Due to related parties

As at September 30, 2016, the Company owed $15,406 to Sirocco Advisory Services, a company controlled by a director and officer of the Company (December 31, 2015: $204,250).

As at September 30, 2016, the Company owed $5,000 (December 31, 2015: $nil) to Metallica Consulting Services, a company controlled by a director of the Company.

As at September 30, 2016, the Company owed $12,598 (December 31, 2015: $11,280) to a director of the Company.

As at September 30, 2016, the Company owed $nil (December 31, 2015: $82,300) to a director and former officer of the Company.

As at September 30, 2016, the Company owed $6,535 (December 31, 2015: $58,478) to the CFO of the Company.

As at September 30, 2016, the Company owed $12,860 (December 31, 2015: $nil) to the COO of the Company.

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

c) Due from related party

The Company charges office lease and administrative expenditures to Oceanic Iron Ore Corp. ("Oceanic"), a Company with officers and directors in common. During the three and nine month periods ended September 30, 2016, office lease and administrative expenditures billed to Oceanic amounted to $20,010 and $58,660, respectively (2015: $46,149 and $145,015, respectively). As at September 30, 2016, the Company was owed $20,010 from Oceanic (December 31, 2015: $19,305).

As at September 30, 2016, the Company was owed $10,164 from Sirocco Advisory Services Ltd., a Company controlled by a director and officer of the Company (December 31, 2015: $nil).

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

14. Fair Value of Financial Instruments

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, prepaids and deposits, due from related parties, accounts payable, accrued liabilities and due to related parties approximate their fair values due to their short term nature.

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.

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	56,571
2017	227,206
2018	229,050
2019 and thereafter	395,996
	$ 908,823

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

<u>Phased Reclamation Bond</u>
As discussed in Note 7 the Company is required to post a phased reclamation security in the amount of $10.4 million by December 31, 2019. The various milestone payments for the reclamation security are as follows:

2016	-
2017	2,100,000
2018	2,600,000
2019	2,100,000
	$ 6,800,000

<u>EPC Agreement</u>
On May 9, 2016, the Company signed a fixed price Engineering, Procurement and Construction ("EPC") contract in the amount of $87.4 million to build a 2 million tonne per annum process plant, truck shop and office facilities, as well as other support infrastructure related to these facilities for the Company's MRC Project.

16. Commitments (*continued)*

Equipment Facility
As disclosed in Note 11, during the nine month period ended September 30, 2016, the Company entered into 14 leases under the Equipment Facility, the Company is required to make quarterly lease payments in respect of each finance lease. The undiscounted future minimum lease payment requirements are disclosed in Note 11.

Project Loan Facility
As disclosed in Note 9, the Company is subject to quarterly interest payments and is committed to an agreed principle repayment schedule in respect of the PLF.

Exploration Tenement Commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to incur expenditures of approximately $275,000 (December 31, 2015: $216,365) in respect of claim renewal fees and minimum work requirements in 2016/2017.

17. Subsequent Events

On November 21, 2016, the Company received its second draw on the PLF in the amount of $14 million.