UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2019 and 2018

ATLANTIC GOLD CORPORATION

Atlantic Gold Corporation

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

	Notes		**March 31, 2019**		December 31, 2018
Assets					
Current					
Cash and cash equivalents	5b	**$**	**36,123,748**	$	50,280,380
Prepaid expenses and deposits			**1,231,770**		2,168,175
Receivables	6		**2,455,823**		2,185,070
Inventory	7		**15,977,822**		12,716,270
Deferred transaction costs	12		**774,193**		732,103
Due from related party			**59,676**		39,865
			56,623,032		68,121,863
Property, plant and equipment	8		**162,478,757**		163,372,042
Exploration and evaluation assets	9		**61,396,000**		55,680,916
Investments	10		**11,929,014**		-
Other non-current assets	11,12		**18,840,405**		15,527,162
		$	**311,267,208**	$	302,701,983
Liabilities					
Current					
Accounts payable and accrued liabilities		**$**	**14,672,932**	$	19,596,272
Due to related parties			**25,727**		901,441
Current portion of long-term debt	12		**3,896,537**		3,327,088
Current portion of lease liability	13		**370,637**		-
			18,965,833		**23,824,801**
Reclamation provision	14		**6,843,775**		6,808,325
Lease liability	13		**1,070,357**		-
Long-term debt	12		**112,649,331**		110,637,187
Deferred income tax liability			**11,838,177**		10,055,321
			151,367,473		**151,325,634**
Shareholders' equity					
Share capital	15a		**154,175,937**		154,014,523
Contributed surplus	15b		**20,194,325**		17,775,532
Accumulated Other Comprehensive Income			**1,410,972**		801,105
Deficit			**(15,881,499)**		(21,214,811)
Total Shareholders' Equity			**159,899,735**		151,376,350
		$	**311,267,208**	$	302,701,983

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 and Comprehensive Income
For the three months ended March 31,
(Expressed in Canadian Dollars)

	Notes	*2019*	*2018*
Revenue	16	**30,391,650**	12,881,462
Cost of goods sold (excluding depreciation and depletion)	17	**(13,671,856)**	(4,357,163)
Depreciation and depletion		**(7,032,914)**	(2,634,556)
Mine operating earnings		**9,686,880**	5,889,743
General & Administration	18	**(3,354,085)**	(2,427,663)
Operating earnings		**6,332,795**	3,462,080
Other income / (expense)			
Finance costs	19	**(2,237,796)**	(988,787)
Gain on investments	10	**2,929,014**	-
Interest and other income		**92,155**	94,144
Net income before income taxes		**7,116,168**	2,567,437
Deferred income tax recovery (expense)		**(1,782,856)**	743,120
Net income		**$ 5,333,312**	$ 3,310,557
Other comprehensive income from private company investment	11a	**609,867**	-
Comprehensive income		**$ 5,943,179**	$ 3,310,557
Weighted average number of shares outstanding			
Basic		**236,853,012**	192,932,684
Diluted		**242,556,824**	235,120,059
Earnings per share			
Basic		**$ 0.023**	$ 0.017
Diluted		**$ 0.022**	$ 0.014

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

Atlantic Gold Corporation

Condensed Consolidated Interim Statements of Changes in Equity
For the three months ended March 31
(Expressed in Canadian Dollars)

	Notes	Shares	Share Capital	Contributed Surplus	Convertible Debenture	Accumulated Other Comprehensive Income	Deficit	Total equity
Balance - January 1, 2019		**236,820,350**	**$ 154,014,523**	**$ 17,775,532**	**$ -**	**$ 801,105**	**$ (21,214,811)**	**$ 151,376,349**
Fair value increase in private company investment	11a	-	-	-	-	609,867	-	609,867
Stock-based compensation	15b	-	-	2,482,738	-	-	-	2,482,738
Exercise of stock options	15b	90,625	161,414	(63,945)	-	-	-	97,469
Net income for the period		-	-	-	-	-	5,333,312	5,333,312
Balance - March 31, 2019		**236,910,975**	**$ 154,175,937**	**$ 20,194,325**	**$ -**	**$ 1,410,972**	**$ (15,881,499)**	**$ 159,899,735**
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		-	-	-	-	-	948,056	948,056
Stock-based compensation	15b	-	-	1,458,388	-	-	-	1,458,388
Exercise of stock options	15b	125,000	109,790	(43,790)	-	-	-	66,000
Exercise of share purchase warrants		1,296,569	860,922	(82,980)	-	-	-	777,942
Deferred income tax		-	-	-	-	-	-	-
Net income and comprehensive income for the period		-	-	-	-	-	3,310,557	3,310,557
Balance - March 31, 2018		**193,702,199**	**125,426,150**	**16,625,834**	**277,917**	**-**	**(44,820,179)**	**97,509,722**

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

Atlantic Gold Corporation

Condensed Consolidated Interim Statements of Cash Flows

For the three months ended March 31

(Expressed in Canadian Dollars)

	Notes	Three months ended March 31, 2019	Three months ended March 31, 2018
Cash from operating activities			
Net income for the period		**$ 5,333,312**	$ 3,310,557
Deferred income tax loss (recovery)		**1,782,856**	(743,120)
Gain on investment	10	**(2,929,014)**	-
Amortization		**7,067,984**	2,660,563
Share-based payments	15b	**2,281,370**	1,216,654
Interest and other income		**(92,155)**	(94,144)
Interest expense and transaction costs		**2,097,463**	988,787
Net cash provided from operating activities before changes in non-cash working capital		**15,541,816**	7,339,297
Net changes in non-cash working capital	5a	**(5,824,386)**	(3,124,866)
Net cash provided from operating activities		**9,717,430**	4,214,431
Cash from (used) in investing activities			
Capital expenditures and capitalized pre-commercial production mine operating costs	8	**(3,629,119)**	(15,325,625)
Proceeds from sale of equipment		**472,320**	-
Capitalized revenue	8	**-**	14,909,663
Exploration and evaluation expenditures	9	**(9,657,288)**	(6,898,896)
Consideration paid on investment	10	**(9,000,000)**	-
Interest received		**111,198**	79,683
Net cash used in investing activities		**(21,702,889)**	(7,235,175)
Cash from (used) in financing activities			
Proceeds from stock option exercise	15b	**97,469**	66,000
Proceeds from exercise of share purchase warrants		**-**	777,942
Interest and transaction costs:			
Project Loan Facility	12	**-**	(3,870,937)
Revolving Credit Facility	12	**(740,864)**	-
Equipment Facility lease payments, including interest	12	**(1,415,267)**	(764,081)
Lease payments	13	**(112,511)**	-
Net cash used in financing activities		**(2,171,173)**	(3,791,076)
Change in cash and cash equivalents during the period		**(14,156,632)**	(6,811,820)
Cash and cash equivalents, beginning of period		**50,280,380**	22,093,914
Cash and cash equivalents, end of period		**$ 36,123,748**	$ 15,282,094

Supplemental cash flow information (Note 5)

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 was incorporated in Canada with registered/records office located at 26th Floor - 595 Burrard 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. The Company operates in one operating segment.

2. BASIS OF PREPARATION

These unaudited condensed interim financial statements for the three months ended March 31, 2019 and 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, 2018 and 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 2018 annual consolidated financial statements, except for IFRS 16 which was adopted on January 1, 2019 and discussed in further detail in Note 3.

These consolidated financial statements were approved by the board of directors on May 12, 2019.

3. CHANGES IN ACCOUNTING POLICIES AND ACOUNTING POLICIES RECENTLY ADOPTED

IFRS 16 – Leases

The following lease accounting policies have been applied as of January 1, 2019 on adoption of IFRS 16. For comparative periods prior to 2019, the Company applied lease policies in accordance with IAS 17, Leases (IAS 17). Leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to the statement of income and comprehensive income over the period of the lease.

Under IFRS 16, at inception of a contract, the Company is required to assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company evaluates whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if the Company has the right to direct the use of the asset. At inception, or on a reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

3. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING POLICIES RECENTLY ADOPTED (continued)

IFRS 16 – Leases (continued)

As a lessee, the Company recognizes a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- Exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in our estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to the statement of income and comprehensive income.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to the statement of income and comprehensive income over the lease term.

<u>Effect of adoption IFRS 16</u>

The Company applied the modified retrospective approach on the adoption of IFRS 16, whereby comparative figures have not been restated.

(Expressed in Canadian Dollars)

3. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING POLICIES RECENTLY ADOPTED (continued)

IFRS 16 – Leases (continued)

Effect of adoption IFRS 16 (continued)

As a result of the adoption, the Company recorded right-of-use assets of $1,531,579 within property, plant and equipment which had previously been classified as 'operating leases' under the principles of IAS 17. These right-of-use assets were measured at an amount equal to the lease liability. Further, the Company reclassified a net book value of $9,148,977 of equipment relating to leases under the Company's Equipment Facility that were previously classified as 'finance leases' under the principles of IAS 17 and previously recognized in equipment within property, plant and equipment.

The Company recorded lease liabilities of $10,106,655, as at January 1, 2019, which includes $1,531,579 of new lease liabilities recognized as a result of the adoption of IFRS 16 (Note 13), with the remaining $8,575,076 relating to the lease liability remaining under the EFF which is recognized in long-term debt (Note 12).

As part of the initial application of IFRS 16, the Company elected to apply the following practical expedients:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Not recognizing a right-of-use asset or lease liability for leases where the lease term ends within 12 months of the date of initial application
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The following table reconciles the December 31, 2018 operating lease commitment schedule to the lease liabilities recognized on January 1, 2019 on adoption of IFRS 16:

Operating lease commitments as at December 31, 2018	$	402,451
Lease obligation recorded as at December 31, 2018		8,575,076
		8,977,527
Effect of hindsight on renewal assumptions of existing operating leases		501,235
Effect of discounting at the incremental borrowing rate		(86,327)
Obligations identified as leases on adoption of IFRS 16		714,220
Opening balance at January 1, 2019	$	10,106,655

The weighted average incremental borrowing rate for lease liabilities initially recognized as of January 1, 2019 was 5.85%.

Investment in Associates

An associate is an entity over which the Company has significant influence and is neither a subsidiary nor a joint arrangement. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies. The Company's investment in the common shares of Velocity Minerals Ltd. (Note 10) has been treated as an investment in associates and has been accounted for using the equity method.

3. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING POLICIES RECENTLY ADOPTED (continued)

Investment in Associates (continued)

Under the equity method, the Company's investment in the associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of net income and losses of the associate, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the associate's reserves, and for impairment losses after the initial recognition date. The Company's share of income and losses of the associate is recognized in net income during the period. Dividends and repayment of capital received from an associate are accounted for as a reduction in the carrying amount of the Company's investment. Intercompany balances and interest expense and income arising on loans and borrowings between the Company and its associates are not eliminated.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating there is a measurable decrease in the estimated future cash flows of the investee's operations. When there is objective evidence that an investment is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less costs of disposal ("FVLCD") and value-in-use ("VIU"). If the recoverable amount of an investment is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period in which the relevant circumstances are identified. When an impairment loss reverses in a subsequent period, the carrying amount of the investment is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in net income in the period in which the reversal occurs.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The critical estimates and judgements that the Company's management has made in the process of applying the Company's accounting policies, apart from the critical judgment discussed below, are disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2018.

Fair Value of investments in Velocity Minerals Ltd.

The Company applied judgment when determining the fair value of its convertible debenture investment and warrants held in Velocity Minerals Ltd. (Note 10). Because the closing of the transaction occurred at the end of the reporting period, the consideration paid for the convertible debenture was the assumed fair value of the investment at March 31, 2019. The Company applied the Black-Scholes Stock Option pricing model to determine the fair value of the warrants on March 31, 2019. The assumptions used in preparing the Black-Scholes Stock Option pricing model, including volatility and expected life of the warrants. Expected volatilities are based on historical volatilities of stock prices of comparable companies of Velocity Minerals Ltd. The expected life of the warrants represents the period of time that the warrants are expected to be outstanding.

(Expressed in Canadian Dollars)

5. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended March 31, 2019	Three months ended March 31, 2018
Net change in non-cash working capital:		
Receivables	(372,477)	(40,253)
Inventory	(2,438,846)	(1,726,295)
Other assets	(1,657,219)	(1,262,430)
Due from related parties	(19,811)	(20,605)
Prepaid expenses and deposits	(218,604)	325,148
Accounts payable and accrued liabilities	(241,715)	228,835
Due to related parties	(875,714)	(629,266)
	$ (5,824,386)	$ (3,124,866)

(b) Cash and cash equivalents is comprised of:

	March 31, 2019	December 31, 2018
Cash	$ 36,066,248	$ 46,157,880
Guaranteed Investment Certificates	57,500	4,122,500
	36,123,748	50,280,380

(c) Non-cash investing and financing activities included $3,866,642 relating to new right of use assets under the Equipment Facility (Note 12) and $1,531,579 right-of-use assets recognised from the adoption of IFRS 16 (Note 3).

6. RECEIVABLES

	March 31, 2019	December 31, 2018
Government tax credits	$ 2,075,754	$ 1,862,232
NSDNR security for settlement of expropriated properties	206,698	206,698
Interest and other receivables	173,371	116,140
	$ 2,455,823	$ 2,185,070

7. INVENTORY

	March 31, 2019	December 31, 2018
Ore in stockpile	$ 3,570,922	$ 2,382,283
In-circuit metal	8,338,238	6,904,910
Finished metal	624,705	729,990
Total mineral inventory	12,533,867	10,017,183
Materials and supplies	3,443,955	2,699,087
Total inventory	$ 15,977,822	$ 12,716,270

Depreciation included in inventory at March 31, 2019 was $4,639,246 (December 31, 2018 - $4,028,300).

(Expressed in Canadian Dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	Notes	Mineral properties and development costs	Equipment	Right of Use Assets	Plant and Infrastructure	Total
Costs						
At January 1, 2018		$ 71,994,176	$ 16,110,527	$ -	$ 97,592,257	$ 185,696,960
Reclamation		2,651,962	-	-	-	2,651,962
Borrowing costs		1,903,914	-	-	-	1,903,914
Additions - other		18,063,627	2,322,574	-	2,079,738	22,465,939
Pre-production COGS capitalized		8,711,185	-	-	-	8,711,185
Capitalized revenue		(14,909,663)	-	-	-	(14,909,663)
At December 31, 2018		**$88,415,200**	**$18,433,101**	**-**	**$99,671,995**	**$ 206,520,297**
IFRS 16 adoption reclassification	3	**-**	**(14,568,839)**	**14,568,839**	**-**	**-**
IFRS 16 transition adjustment	3	**-**	**-**	**1,531,579**	**-**	**1,531,579**
Adjusted opening costs at January 1, 2019		**$88,415,200**	**$3,864,261**	**$16,100,418**	**$99,671,995**	**$208,051,876**
Additions		**3,222,748**	**113,459**	**3,866,642**	**8,132**	**7,210,981**
Disposals		**-**	**-**	**(740,626)**	**-**	**(740,626)**
At March 31, 2019		**$91,637,948**	**$3,977,721**	**$19,226,434**	**$99,680,127**	**$214,522,231**
Accumulated depreciation						
At January 1, 2018		(2,337,475)	(3,593,316)	-	(1,054,146)	(6,984,937)
Depreciation and depletion		(21,546,741)	(3,009,779)	-	(11,606,797)	(36,163,317)
At December 31, 2018		**(23,884,216)**	**(6,603,095)**	**-**	**(12,660,943)**	**(43,148,254)**
IFRS 16 adoption reclassification		-	5,419,862	(5,419,862)	-	-
Adjusted Opening accumulated depreciation - January 1, 2019		**(23,884,216)**	**(1,183,233)**	**(5,419,862)**	**(12,660,943)**	**(43,148,254)**
Depreciation and depletion		(5,528,243)	(146,705)	(841,462)	(2,685,514)	(9,201,924)
Disposals		-	-	306,705	-	306,705
At March 31, 2019		**(29,412,459)**	**(1,329,938)**	**(5,954,619)**	**(15,346,457)**	**(52,043,474)**
Net book value						
At December 31, 2018		$64,530,983	$11,830,006	-	$87,011,052	$163,372,043
Adjusted net book value - January 1, 2019		$64,530,983	$2,681,028	$10,680,556	$87,011,052	$164,903,621
At March 31, 2019		**$62,225,488**	**$2,647,782**	**$13,271,815**	**$84,333,669**	**$162,478,757**

The Company's effective ownership interest in Touquoy is approximately 63.2%. 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, defined under the agreement as the operation of Touquoy as a producing mine and the production of gold for a period of thirty consecutive days at an average rate of not less than 70% of the initial rated capacity of the mine and plant facilities, 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.

<u>Royalties</u>

Touquoy is subject to a 1% net smelter return ("NSR") royalty payable to a third party, in addition to a 1% NSR royalty payable to the government of Nova Scotia. The NSR royalty payable to the government of Nova Scotia is a requirement for all operating mines in the province.

(Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS

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

Three months ended March 31, 2019

	Beaver Dam	*Cochrane Hill*	*Fifteen Mile Stream*	*Other*	*Total*
Acquisition Costs, December 31, 2018 and March 31, 2019	**$ 1,134,791**	**$ 2,278,597**	**$ 4,399,388**	**$ 2,172,496**	**$ 9,985,272**
Deferred costs, January 1, 2019	**$ 7,425,970**	**$ 11,994,416**	**$ 18,815,859**	**$ 7,459,399**	**$45,695,644**
Salaries, benefits and consulting fees	54,627	332,218	460,736	339,706	1,187,287
Environmental	471,180	522,589	802,173	73,344	1,869,286
Permitting and claims	10,000	-	91,917	186,246	288,163
Assays and metallurgy	198,442	327,745	390,526	-	916,713
Travel and accommodation	-	19,012	92,235	32,951	144,198
Drilling and fieldwork	-	498,388	310,594	74,333	883,315
Equipment and supplies	4,224	23,421	178,467	220,011	426,123
Expenditures for the period	738,473	1,723,373	2,326,648	926,591	5,715,085
Deferred costs, March 31, 2019	**$ 8,164,443**	**$ 13,717,790**	**$ 21,142,507**	**$ 8,385,990**	**$51,410,728**
Exploration and evaluation assets, March 31, 2019	**$ 9,299,234**	**$ 15,996,387**	**$ 25,541,895**	**$10,558,486**	**$61,396,000**

Year ended December 31, 2018

	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, December 31, 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**	**$23,193,386**
Salaries, benefits and consulting fees	110,544	644,421	1,803,050	1,265,192	3,823,207
Environmental	1,999,045	700,845	650,591	101,862	3,452,343
Permitting and claims	53,071	18,612	190,856	378,561	641,100
Assays and metallurgy	78,872	207,319	1,186,117	899,455	2,371,763
Travel and accommodation	3,471	32,308	127,317	91,918	255,014
Drilling and fieldwork	-	2,630,773	5,818,807	2,189,298	10,638,878
Equipment and supplies	26,542	260,395	496,253	536,763	1,319,953
Expenditures for the year	2,271,545	4,494,673	10,272,991	5,463,049	22,502,258
Deferred costs, December 31, 2018	**$ 7,425,970**	**$ 11,994,416**	**$ 18,815,859**	**$ 7,459,399**	**$45,695,644**
Exploration and evaluation assets, December 31, 2018	**$ 8,560,761**	**$ 14,273,013**	**$ 23,215,247**	**$ 9,631,895**	**$55,680,916**

(Expressed in Canadian Dollars)

10. INVESTMENTS

Investment in Velocity Minerals Ltd.

	March 31, 2019	December 31, 2018
Convertible debentures	$ 5,094,000	$ -
Common shares	5,394,000	-
Warrants	1,441,014	-
Total investment	$ 11,929,014	$ -

On March 14, 2019, the Company completed an investment in Velocity Minerals Ltd. ("VLC") for a total consideration of $9,000,000. Included in the investment was a $5,094,000 secured convertible debenture in VLC, plus an equity component comprising 18,600,000 Units of VLC for cash consideration of $3,906,000. Further, as part of the investment agreement, the Company has the right to designate one individual to be nominated, and if elected, to serve as a director of VLC provided the Company holds at least 15% of the issued and outstanding common shares of VLC, with the number of nominees increasing to two directors if the Company holds 30% or more of the issued and outstanding common shares of VLC.

The convertible debenture earns interest at an annual rate of 8.5% payable semi-annually, over a five-year term. The interest can be paid in cash or common shares of VLC, at the discretion of VLC. The principal amount of the convertible debentures are convertible into common shares of VLC at the election of the Company at a conversion price of $0.25. The convertible debentures are secured with a first ranking charge at any time by way of general security agreement and guarantee from the material subsidiary of VLC. For accounting purposes, the convertible debenture investment is recognised as Fair Value through Profit or Loss ("FVPL"). As at March 31, 2019, the fair value of the convertible debenture was $5,094,000.

The equity component of VLC comprised 18,600,000 Units of VLC, with each Unit consisting of one common share and 1/2 warrant. The warrants are convertible into common shares of VLC at an exercise price of $0.25, with an expiry date of March 14, 2022. For accounting purposes, the Company applied equity accounting over the common shares of VLC as it was concluded that the Company has significant influence over VLC due to its share ownership in the Company and its ability to have board representation. As a result, at inception of the investment, the common shares were recognized at cost, with the carrying amount of the investment increasing or decreasing to recognise the Company's share of the profit or loss of VLC at each reporting period. The attributed cost of the common shares at the date of inception was determined valued using the traded stock price of VLC on March 14, 2019 which was $0.29 per common share by the number of common shares held. The carrying value of the common shares of VLC at March 31, 2019 was $5,394,000. As at March 31, 2019, the Company had a 19% ownership interest in VLC.

The warrants have been accounted for as FVPL. The Company used the Black-Scholes option pricing model to calculate the fair value of the warrants held in VLC. As at March 31, 2019, the fair value of the warrants was $1,441,014.

(Expressed in Canadian Dollars)

10. INVESTMENTS (continued)

The Company realised a gain of $2,929,014 attributable to the fair value changes between the contract date and the initial recognition of the equity investment and warrants.

11. OTHER NON-CURRENT ASSETS

		March 31, 2019		December 31, 2018
Reclamation bonds	$	200,000	$	200,000
Investment in a private company (a)		1,806,000		1,196,133
Ore in stockpile inventory (b)		15,517,060		12,557,576
Deferred transaction costs (c)		1,317,345		1,573,453
	$	18,840,405	$	15,527,162

(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. The fair value of the investment in a private company increased by $609,867 during Q1 2019 largely as a result of the increase in mineral reserves at Touquoy announced in March 2019. The fair value adjustment was recognized in other comprehensive income.

(b) Depreciation included in ore in long term stockpile inventory at March 31, 2019 was $6,719,009 (December 31, 2018 - $5,593,634).

(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 12a).

(Expressed in Canadian Dollars)

12. LONG-TERM DEBT

	Revolving Credity Facility (a)	Equipment Facility (b)	Project Loan Facility	Convertible debentures	Total
Long-term debt at January 1, 2018	-	10,409,317	115,111,746	12,306,887	137,827,950
Additions	106,104,793	692,915	-	-	106,797,708
Principal repayment	-	(2,527,156)	(115,000,000)	(13,000,000)	(130,527,156)
Interest expense and accretion (1)	1,726,950	636,833	5,530,540	399,288	8,293,611
Interest payment	(986,086)	(636,833)	(8,442,450)	(486,479)	(10,551,848)
Transaction costs	(1,589,180)	-	-	-	(1,589,180)
Amortization of transaction costs (1)	132,723	-	2,800,164	244,710	3,177,597
	-	-	-	535,594	535,594
Long-term debt at December 31, 2018	**105,389,200**	**8,575,076**	**-**	**-**	**113,964,276**
Additions	**-**	**3,866,642**	**-**	**-**	**3,866,642**
Principal repayment	**-**	**(1,228,455)**	**-**	**-**	**(1,228,455)**
Interest expense and accretion	**1,506,947**	**186,812**	**-**	**-**	**1,693,759**
Amortization of prepaid interest	**(954,989)**	**-**	**-**	**-**	**(954,989)**
Interest payment	**(740,864)**	**(186,812)**	**-**	**-**	**(927,676)**
Amortization of transaction costs	**132,311**	**-**	**-**	**-**	**132,311**
	105,332,605	**11,213,263**	**-**	**-**	**116,545,868**
Less Current portion	**(551,958)**	**(3,344,579)**	**-**	**-**	**(3,896,537)**
Long-term debt at March 31, 2019	**104,780,647**	**7,868,684**	**-**	**-**	**112,649,331**

(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 ("RCF")

As at March 31, 2019, the Company had drawn down $106,104,793 of debt on the RCF in addition to an $8,300,000 letter of credit drawn in respect of the Company's reclamation bonding requirements with the government of Nova Scotia. The Company has a balance of $35,595,207 remaining available for future drawdowns on the RCF. Total interest expensed during the period was $1,506,947. The effective interest rate for the period was approximately 6%.

As at March 31, 2019, the Company had $3,430,540 of deferred transaction costs relating to legal and advisory fees, and other financing expenses relating to the RCF, with $1,339,003 recognized against long-term debt, to 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 March 31, 2019, $774,193 of the deferred transaction costs have been recognized as a current asset with $1,317,344 included in other non-current assets.

(b) Equipment Facility

To date, the Company has entered into a total of 30 equipment lease contracts under the Company's Equipment Facility ("EFF"). As at March 31, 2019, the Company was in compliance with all debt covenants under the Equipment Facility. Title to the mining fleet will transfer to the Company when the respective lease is fully settled.

(Expressed in Canadian Dollars)

12. LONG-TERM DEBT (continued)

(b) Equipment Facility (continued)

Future minimum lease payments pursuant to the Company's Equipment Facility leases are as follows:

	Up to 1 year	1-5 years	Total
Minimum lease payments	4,118,761	8,612,071	12,730,832
Finance charges	(774,182)	(743,386)	(1,517,569)
Total principal payments	3,344,579	7,868,685	11,213,263

13. LEASE LIABILITIES

The Company's significant lease arrangements include contracts for leasing office premises, mining equipment (Note 12b) and light vehicles.

The following table relates to all leases identified under IFRS 16, excluding leases under the Company's Equipment Facility, disclosed in Note 12 above.

December 31, 2018	$	-
Janary 1, 2019 opening balance adjustment - IFRS 16 adoption (Note 3)		**1,531,579**
Principal payments		**(112,511)**
Accretion		**21,926**
		1,440,994
Less: current portion		**(370,637)**
Long term lease liability as at March 31, 2019	**$**	**1,070,357**

Minimum lease payments in respect of the above lease liabilities and the effect of discounting are as follows:

	Up to 1 year	1-5 years	Total
Minimum lease payments	448,239	1,219,386	**1,667,625**
Finance charge	(77,602)	(149,029)	**(226,631)**
Total principal payments	370,637	1,070,357	**1,440,994**

(Expressed in Canadian Dollars)

14. RECLAMATION PROVISION

The reclamation provision is comprised of:

	March 31, 2019	December 31, 2018
Opening balance	$ 6,808,325	$ 4,066,465
Additions	-	2,651,962
Accretion expense	35,450	89,898
Ending balance	$ 6,843,775	$ 6,808,325

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 March 31, 2019. The Company applied a discount rate of 2.09% (the risk-free rate) (2018 – 2.09%) and an inflation rate of 2.0% (2018 – 2.0%) in calculating the estimated obligation. The liability for reclamation in nominal dollars, undiscounted is $6,863,114. Cash expenditures are expected to occur at the end of the mine life of the MRC mine, estimated in the years 2027.

15. 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) 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.

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

	Number of Options outstanding	Weighted-average exercise price ($)
Outstanding - January 1, 2018	13,295,000	0.57
Granted	4,335,000	1.64
Forfeited	(9,375)	1.41
Exercised	(2,970,625)	0.36
Outstanding - December 31, 2018	14,650,000	0.94
Granted	**6,195,000**	**1.84**
Forfeited	**(9,375)**	**1.08**
Exercised	**(90,625)**	**1.63**
Outstanding – March 31, 2019	**20,745,000**	**1.20**
Exercisable – March 31, 2019	**13,634,375**	**0.90**

(Expressed in Canadian Dollars)

15. EQUITY (continued)

(b) Stock options (continued)

Total stock-based compensation recognized during the three months ended March 31, 2019 was $2,482,738 (2018: $1,458,388), with $2,281,370 recognized in the consolidated statement of income and comprehensive income (2018: $1,216,654), $201,368 capitalized to exploration and evaluation assets (2018: $49,815), and nil capitalized to property, plant and equipment during the three months ended March 31, 2019 (2018: $191,919). During the three months ended March 31, 2018, $1,376,101 of stock-based compensation related to related parties, which included directors and executive officers of the Company (2018 - $902,368).

Stock options outstanding and exercisable at March 31, 2019 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	3,320,000	$	0.27	2.12	3,320,000	$	0.27	2.12
$0.40 – 0.42	1,745,000	$	0.42	3.65	1,745,000	$	0.42	3.65
$0.63 – 0.86	1,500,000	$	0.76	4.10	1,500,000	$	0.76	4.10
$0.96 – 1.02	3,375,000	$	0.96	4.60	3,375,000	$	0.96	4.60
$1.50 – 1.58	460,000	$	1.56	5.26	357,500	$	1.56	5.21
$1.60 – 1.63	3,900,000	$	1.63	5.64	2,437,500	$	1.63	5.64
$1.74 – 1.92	6,445,000	$	1.84	6.58	899,375	$	1.84	6.51
	20,745,000	$	1.20	4.91	13,634,375	$	0.90	4.15

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 following assumptions were used in the valuation of the stock options granted in the three months ended March 31, 2019:

Risk free interest rate	1.83%
Expected life	6.75 years
Annualized volatility	59%
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.

(Expressed in Canadian Dollars)

16. REVENUE

	Three months ended March 31, 2019	Three months ended March 31, 2018
Gold revenue - Hedge facility	$ 23,007,799	$ 3,428,822
Gold revenue - Spot sales	7,429,142	9,468,550
Less refining costs	(45,291)	(15,910)
	$ 30,391,650	$ 12,881,462

The average sale price for the gold forward sales during the three months ended March 31, 2019 was $1,547 per ounce. The remaining commitment is 143,604 ounces between April 1, 2019 and February 2021.

17. COST OF SALES

Cost of sales for the three months ended March 31, comprised the following:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Salaries and benefits, and consultants	$ 8,532,649	$ 2,230,055
Supplies and consumables	5,093,427	1,673,550
Royalties	607,931	128,784
Energy	791,074	329,383
Site administrative costs	749,723	76,273
Rentals	482,011	162,750
Environmental	264,105	87,718
Site share-based payments	502,130	95,959
Production costs	17,023,050	4,784,472
Change in inventory	(3,351,194)	(427,309)
	$ 13,671,856	$ 4,357,163

(Expressed in Canadian Dollars)

18. GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs for the three months ended March 31, were comprised of:

	Three months ended March 31, 2019	*Three months ended March 31, 2018*
Amortization	**$ 35,070**	$ 26,007
Corporate Development and investor relations	**93,321**	123,828
Director fees	**98,500**	75,999
Management Fees, salaries and benefits	**1,038,289**	753,703
Office and general	**51,746**	58,073
Professional fees	**156,727**	133,288
Rent	**13,756**	50,496
Share-based payments	**1,779,240**	1,120,695
Transfer agent and filing fees	**15,276**	35,548
Travel, meals and entertainment	**72,160**	50,026
	$ 3,354,085	$ 2,427,663

19. FINANCE COSTS

Finance costs for the three months ended March 31, were comprised of:

	Three months ended March 31, 2019	*Three months ended March 31, 2018*
Interest on loan facilities	**$ 1,506,947**	$ 655,337
Amortization of transaction costs	**346,328**	153,086
Interest and accretion of convertible debt	**-**	110,887
Financing fees on Equipment Facility	**186,812**	51,515
Interest charge on lease liabilities	**21,926**	-
Reclamation accretion expense	**35,450**	17,962
Other financing charges	**140,333**	-
	$ 2,237,796	$ 988,787

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.

(Expressed in Canadian Dollars)

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value measurements

Financial instruments of the Company as at March 31 are summarized as follows:

	March 31, 2019		December 31, 2018	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	**$ 36,123,748**	**$ 36,123,748**	$ 50,280,380	$ 50,280,380
Due from related parties	**59,676**	**59,676**	39,865	39,865
Receivables	**380,069**	**380,069**	322,838	322,838
Velocity Minerals Ltd. - convertible debentures	**5,094,000**	**5,094,000**	-	-
Velocity Minerals Ltd. - warrants	**1,441,014**	**1,441,014**	-	-
Investment in a private company	**1,806,000**	**1,806,000**	1,196,134	1,196,134
Financial liabilities				
Accounts payable and accrued liabilities	**$ 14,672,932**	**$ 14,672,932**	$ 19,596,272	$ 19,596,272
Revolving Credit Facility	**105,332,605**	**106,656,751**	105,389,200	106,104,793
Equipment facility	**11,213,263**	**10,603,439**	8,575,076	8,087,016
Due to related parties	**25,727**	**25,727**	901,441	901,441

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 a 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 and the VLC warrants and convertible debentures are categorized as Level 3 in the fair value hierarchy as observable market data for this investment is not available. All other financial instruments are categorized as Level 1.