ATLANTIC GOLD

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2017 and 2016

ATLANTIC GOLD CORPORATION

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 Sheet
(Unaudited)
As at
(Expressed in Canadian Dollars)

	Notes	September 30 2017	December 31 2016
Assets			
Current			
Cash and cash equivalents	6a	$ 11,444,959	$ 14,396,987
Prepaid expenses and deposits		1,115,465	783,824
Receivables	7	958,366	3,673,585
Inventory		35,903	201,285
Deferred financing fees	11a	-	3,274,078
Due from related party	14	64,883	19,034
		13,619,576	22,348,793
Property, plant and equipment	8	174,542,755	95,805,269
Exploration and evaluation assets	9	26,599,906	17,749,731
Restricted cash	10	10,580,413	9,337,346
Other non-current assets		448,078	448,078
		$ 225,790,728	$ 145,689,217
Liabilities			
Current			
Accounts payable and accrued liabilities		$ 8,045,434	$ 13,815,348
Due to related parties	14	49,735	657,294
Current portion of long-term debt	11	21,877,830	55,084,080
Other liability	13b	122,280	1,165,091
		30,095,279	70,721,813
Reclamation provision	12	4,006,731	1,581,624
Long-term debt	11	114,001,280	-
		148,103,290	72,303,437
Shareholder's equity			
Share capital	13a, 13b	110,255,217	103,973,121
Contributed surplus	13c	15,083,776	13,289,077
Convertible debentures - equity component	11b	277,917	277,917
Deficit		(47,929,472)	(44,154,335)
		77,687,438	73,385,780
		$ 225,790,728	$ 145,689,217

Commitments (Note 16)
Subsequent events (Note 17)

Approved by the Board of Directors

"Donald Siemens" Director

"Robert Atkinson" Director

Atlantic Gold Corporation

Condensed Interim Consolidated Statement of Loss and Comprehensive Loss
(Unaudited)
For the three and nine months ended September 30
(Expressed in Canadian Dollars)

		Three months ended September 30		Nine months ended September 30	
	Notes	**2017**	2016	**2017**	2016
General and administrative					
Amortization		**$ 24,847**	$ 45,025	**$ 73,520**	$ 64,186
Corporate development and investor relations		**71,029**	86,450	**371,357**	201,373
Director fees		**55,625**	24,625	**191,375**	62,125
Management fees, salaries and benefits		**383,101**	340,339	**1,177,539**	819,366
Office and general		**65,656**	60,222	**186,211**	196,375
Professional fees		**296,731**	45,560	**625,121**	181,598
Rent		**50,050**	49,584	**149,271**	142,961
Share-based payments	13c	**357,150**	414,825	**1,644,232**	831,045
Transfer agent and filing fees		**15,571**	13,276	**62,583**	60,705
Travel, meals and entertainment		**37,056**	23,608	**69,202**	59,041
Loss from operations		**(1,356,816)**	(1,103,514)	**(4,550,411)**	(2,618,775)
Other income (expense)					
Financing costs	11,12	**(60,582)**	(495,658)	**(579,530)**	(759,200)
Interest and other income		**54,416**	45,145	**189,713**	67,314
Net loss before income taxes		**(1,362,982)**	(1,554,027)	**(4,940,228)**	(3,310,661)
Deferred income tax recovery	13b	**42,874**	-	**1,165,091**	97,646
Net loss and comprehensive loss for the period		**$ (1,320,108)**	$ (1,554,027)	**$ (3,775,137)**	$ (3,213,015)
Weighted average number of shares outstanding		**177,574,441**	166,927,141	**175,574,441**	140,535,631
Loss per share, basic and diluted		**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ (0.02)

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

Atlantic Gold Corporation

Consolidated Interim Statements of Changes in Equity

For the nine months ended September 30

(Expressed in Canadian Dollars)

	Notes	Shares	Share Capital	Contributed Surplus	Convertible Debentures	Deficit	Total equity
Balance - January 1, 2017		**173,331,713**	**$103,973,121**	**$ 13,289,077**	**$ 277,917**	**$ (44,154,335)**	**$ 73,385,780**
Share-based payments		**-**	**-**	**2,221,202**	**-**	**-**	**2,221,202**
Exercise of stock options	**13c**	**2,619,950**	**1,474,129**	**(309,140)**	**-**	**-**	**1,164,989**
Exercise of share purchase warrants	**13d**	**1,833,799**	**1,217,642**	**(117,363)**	**-**	**-**	**1,100,279**
Private placement shares issued, net of issuance costs	**13b**	**2,609,700**	**3,590,325**	**-**	**-**	**-**	**3,590,325**
Net loss for the period		**-**	**-**	**-**	**-**	**(3,775,137)**	**(3,775,137)**
Balance - September 30, 2017		**180,395,162**	**$110,255,217**	**$ 15,083,776**	**$ 277,917**	**$ (47,929,472)**	**$ 77,687,438**

	Notes	Shares	Share Capital	Contributed Surplus	Convertible Debentures	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	13c	2,530,000	1,404,014	(480,614)	-	-	923,400
Exercise of share purchase warrants	13d	18,977	11,386	-	-	-	11,386
Private placement shares issued, net of issuance costs	13b	55,291,299	33,919,696	-	-	-	33,919,696
Convertible debentures	11b	-	-	-	375,563	-	375,563
Deferred income tax on convertible debentures		-	-	-	(97,646)	-	(97,646)
Net 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

Atlantic Gold Corporation

Consolidated Interim Statements of Cash Flows

For the nine months ended September 30

(Expressed in Canadian Dollars)

	Notes	Nine months ended September 30 2017	2016
Cash used in operating activities			
Net loss and comprehensive loss for the period		**$ (3,775,137)**	$ (3,213,015)
Adjustments for:			
Deferred income tax recovery	13b	**(1,165,091)**	(97,646)
Accretion of reclamation obligation		**32,108**	-
Amortization		**73,520**	64,186
Share-based payments	13c	**1,644,232**	831,045
Interest and other income		**(189,713)**	(67,314)
Net changes in non-cash working capital:	6b	**(2,217,062)**	601,263
Net cash used in operating activities		**(5,597,143)**	(1,881,481)
Cash (used) provided by investing activities			
Purchase of property, plant and equipment	8	**(69,380,706)**	(21,850,105)
Exploration and evaluation expenditures	9	**(8,942,649)**	(11,069,594)
Restricted cash - Surety bond letter of credit	10	**(1,127,000)**	(2,744,000)
Interest received		**151,465**	54,073
Net cash used in investing activities		**(79,298,890)**	(35,609,626)
Cash (used) provided by financing activities			
Proceeds from stock option exercise	13c	**1,164,989**	923,400
Proceeds from exercise of share purchase warrants	13d	**1,100,279**	11,386
Proceeds from long-term debt			
Project Loan Facility	11a	**81,000,000**	20,000,000
Convertible debentures	11b	**-**	13,000,000
Transaction costs			
Project Loan Facility	11a	**-**	(2,733,469)
Convertible debentures	11b	**-**	(586,973)
Interest payments			
Project Loan Facility	11a	**(2,767,189)**	-
Convertible debentures	11b	**(552,500)**	**-**
Finance lease payments	11c	**(2,080,295)**	(514,735)
Proceeds from sale and leaseback		**482,185**	-
Restricted cash	10	**(116,069)**	(6,570,868)
Proceeds from private placement net of issuance costs	13b	**3,712,605**	35,408,820
Net cash provided in financing activities		**81,944,005**	58,937,561
Change in cash and cash equivalents during the period		**(2,952,028)**	21,446,454
Cash and cash equivalents, beginning of period		**14,396,987**	10,764,172
Cash and cash equivalents, end of period		**$ 11,444,959**	$ 32,210,626

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

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

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

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

2. BASIS OF PREPARATION

These unaudited condensed interim financial statements for the three and nine months ended September 30, 2017 (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, 2016, 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 2016 annual consolidated financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Reclassifications

In order to simplify the financial statements, the Company voluntarily combined certain balance sheet items. Note 11 provides the components of long-term debt. The prior period was restated to reflect the combination as follows:

	Previous presentation		**Current presentation**	
Convertible debentures	$	12,455,917	**$**	**-**
Lease obligation		9,798,540		**-**
Project loan facility		32,829,623		**-**
Long-term debt		-		**55,084,080**
	$	55,084,080	**$**	**55,084,080**

4. CHANGES IN ACCOUNTING STANDARDS NOT YET EFFECTIVE

(a) Financial Instruments

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

(b) Leases

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Interim Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Information about significant areas of estimation uncertainty considered by management in preparing the financial statements are set out in Note 5 to the audited financial statements for the year ended December 31, 2016 and have been consistently followed in preparation of these Interim Financial Statements except for the item below which is new to this period.

(Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Commercial production

The determination of when a mine is in the condition necessary for it to be capable of operating in the manner intended by management (referred to as "commercial production") is a matter of significant judgement which will impact when revenues and related costs are recognized and depreciation and depletion commence. In making this determination, management will consider specific facts and circumstances. These factors will include, but are not limited to, whether the major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed, completion of a reasonable period of commissioning, consistent operating results being achieved at a pre-determined level of design capacity and recovery for a reasonable period of time and the transfer of operations from construction personnel to operational personnel has been completed. Management anticipates that the MRC Mine will achieve commercial production during 2018.

6. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Cash is comprised of:

		September 30, 2017		December 31, 2016
Cash - Canadian dollar	$	11,386,784	$	14,338,812
Guaranteed Investment Certificates		58,175		58,175
	$	11,444,959	$	14,396,987

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

		Nine months ended September 30		
		2017		2016
Net changes in non-cash working capital:				
Receivables	$	49,316	$	173,250
Due from related parties		(45,849)		(10,870)
Prepaid expenses and deposits		(685,585)		(44,785)
Accounts payable and accrued liabilities		(927,385)		787,576
Due to related parties		(607,559)		(303,908)
	$	(2,217,062)	$	601,263

(c) Non-cash financing and investing activities included the following non-cash items:

		Nine months ended September 30		
		2017		2016
Lease obligation	$	2,563,352	$	10,344,293
Accretion on lease obligation	$	482,157	$	74,465

(Expressed in Canadian Dollars)

7. RECEIVABLES

	September 30, 2017	December 31, 2016
Input tax credits	$ 706,712	$ 3,420,469
NSDNR security for settlement of expropriated properties	206,698	206,698
Interest and other receivables	44,956	46,418
	$ 958,366	$ 3,673,585

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. During 2017, settlement with one of the land owners was completed. The Company remains in discussions with the remaining previous land owners in respect of a negotiated settlement payment. The Company has estimated and accrued a payment amount it believes will be required to settle the amounts within accounts payable and accrued liabilities.

8. PROPERTY, PLANT AND EQUIPMENT

	Notes	Mineral properties and development costs	Equipment	Land	Total
Costs					
At January 1, 2016		$ -	$ 251,052	$ 4,299,805	$ 4,550,857
Reclassification		23,005,766	-	-	23,005,766
Reclamation	12	1,581,624	-	-	1,581,624
Borrowing costs	11	1,719,263	-	-	1,719,263
Additions		53,265,640	12,653,084	10,000	65,928,724
At December 31, 2016		**$ 79,572,293**	**$ 12,904,136**	**$ 4,309,805**	**$ 96,786,234**
Reclamation	12	**2,392,999**	**-**	**-**	2,392,999
Borrowing costs	11	**5,907,410**	**-**	**-**	5,907,410
Additions		**69,654,854**	**2,678,605**	**-**	72,333, 459
At September 30, 2017		**$ 157,527,556**	**$ 15,582,741**	**$ 4,309,805**	**$ 177,420,102**
Accumulated depreciation					
At January 1, 2016		$ -	$ (139,731)	$ -	$ (139,731)
Depreciation		-	(841,234)	-	(841,234)
At December 31, 2016		**$ -**	**$ (980,965)**	**$ -**	**$ (980,965)**
Depreciation		-	(1,896,382)	-	(1,896,382)
At September 30, 2017		**$ -**	**$ (2,877,347)**	**$ -**	**$ (2,877,347)**
Net book value					
At December 31, 2016		$ 79,572,293	$ 11,923,171	$ 4,309,805	$ 95,805,269
At September 30, 2017		**$ 157,527,556**	**$ 12,705,394**	**$ 4,309,805**	**$ 174,542,755**

(Expressed in Canadian Dollars)

8. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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, Property plant and equipment, as management determined that the technical feasibility and commercial viability of the project had been established as evidenced by board approval and project financing. Accordingly, in May 2016 the Company reclassified capitalized costs associated with Touquoy from exploration and evaluation assets under IFRS 6 to mineral properties and development costs. 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.

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

9. EXPLORATION AND EVALUATION ASSETS

	Beaver Dam	Cochrane Hill	Fifteen Mile Stream and Other	Total
Acquisition Costs, September 30, 2017	**$ 1,134,791**	**$ 2,278,597**	**$ 6,321,884**	**$ 9,735,272**
Exploration and evaluation costs, January 1, 2017	**$ 4,789,912**	**$ 2,152,741**	**$ 1,071,806**	**$ 8,014,459**
Compensation	-	729,151	513,958	1,243,109
Environmental	205,489	-	-	205,489
Permitting and claims	24,460	16,773	90,637	131,870
Assays and metallurgy	-	829,634	1,455,873	2,285,507
Travel and accommodation	-	36,739	50,550	87,289
Drilling and fieldwork	-	2,099,520	2,265,029	4,364,549
Equipment and supplies	-	212,103	320,259	532,362
Expenditures for the period	229,949	3,923,920	4,696,306	8,850,175
Exploration and evaluation costs, September 30, 2017	**$ 5,019,861**	**$ 6,076,661**	**$ 5,768,112**	**$ 16,864,634**
Total exploration and evaluation assets, September 30, 2017	**$ 6,154,652**	**$ 8,355,258**	**$ 12,089,996**	**$ 26,599,906**

(Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS *(continued)*

	Beaver Dam	Touquoy	Cochrane Hill	Fifteen Mile Stream and Other	Total
Acquisition Costs January 1, 2016	**$ 1,134,791**	**$10,035,517**	**$ 2,278,597**	**$ 6,321,884**	**$19,770,789**
Reclassification to property, plant and equipment *(note 8)*	-	(10,035,517)	-	-	(10,035,517)
Acquisition costs December 31, 2016	$ 1,134,791	$ -	$ 2,278,597	$ 6,321,884	$ 9,735,272
Exploration and evaluation costs, January 1, 2016	**$ 4,025,390**	**$ 3,173,012**	**$ 288,020**	**$ 373,475**	**$ 7,859,897**
Engineering	-	8,777,406	-	-	8,777,406
Salaries and consulting fees	137,741	364,621	321,882	110,079	934,323
Environmental	455,082	129,751	22,240	-	607,073
Construction and development	-	216,452	-	-	216,452
Permitting and claims	24,778	134,537	13,640	274,762	447,717
Office and administration	138,823	21,001	2,432	3,708	165,964
Assays and metallurgy	2,406	28,115	230,459	86,559	347,539
Travel and accommodation	-	44,147	4,107	1,737	49,991
Drilling and fieldwork	4,598	73,005	1,106,728	187,786	1,372,117
Equipment and supplies	1,094	8,202	163,233	32,750	205,279
Other	-	-	-	950	950
Expenditures for the year	764,522	9,797,237	1,864,721	698,331	13,124,811
Reclassification to property, plant and equipment	-	(12,970,249)	-	-	(12,970,249)
Exploration and evaluation costs, December 31, 2016	**$ 4,789,912**	**$ -**	**$ 2,152,741**	**$ 1,071,805**	**$ 8,014,459**
Total exploration and evaluation assets, December 31, 2016	**$ 5,924,703**	**$ -**	**$ 4,431,338**	**$ 7,393,689**	**$17,749,731**

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

10. RESTRICTED CASH

	Notes	September 30, 2017	December 31, 2016
PLF proceeds account	a	**$ 6,000,000**	$ 6,000,000
GIC	b	**3,871,000**	2,744,000
DSRA	c	**709,413**	593,346
		$ 10,580,413	$ 9,337,346

(a) Under the Company's Project Loan Facility ("PLF") (see note 11) the Company is required to maintain a minimum balance of $6,000,000 in a bank account until the PLF is repaid.

(Expressed in Canadian Dollars)

10. RESTRICTED CASH *(continued)*

(b) The guaranteed investment certificate ("GIC") of $3,871,000, represents 70% of a $5,530,000 reclamation performance bond that was issued by way of a surety bond in August 2017 (the "Surety Bond"), through the Company's wholly owned subsidiary Atlantic Mining NS Corp. ("Atlantic Mining"), and a surety provider. The surety provider secured the Surety Bond by a line of credit with the Bank of Montreal ("BMO") at 70% of the value of the required level of the reclamation performance bond. 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 August 18, 2018, and earns interest at 0.6% per annum. The August 2017 Surety Bond replaced a previously issued surety bond that was initially issued in May 2016 through an alternate surety provider, which required 80% of a then required $3,430,000 reclamation performance bond.

The increase of $2.1 million in the required reclamation performance bond represents the second installment of the $10,400,000 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 $10,400,000 financial security is to be posted in full by December 31, 2019.

(c) The Debt Service Reserve Account ("DSRA") is required under the Equipment Facility (as defined below in 11c), whereby the Company is required to maintain an amount equal to 100% of one quarterly payment in respect of all leases under the Equipment Facility. The DSRA is to be maintained up to and including three months after Project Completion (as defined below in 11a).

11. LONG-TERM DEBT

	Project Loan Facility (a)	Convertible debentures (b)	Equipment Facility (c)	Total
Cash received in 2016	$ 34,000,000	$ 12,606,677	$ -	$ 46,606,677
Equipment received in 2016	-	-	10,695,747	$ 10,695,747
Principal repayment	-	-	(897,207)	(897,207)
Interest expense and accretion (1)	389,539	819,880	230,687	1,440,106
Interest payment	(297,823)	(567,637)	(230,687)	(1,096,147)
Transaction costs	(1,374,305)	(569,214)	-	(1,943,519)
Amortization of transaction costs (1)	112,212	166,211	-	278,423
Current portion of long-term debt at December 31, 2016	32,829,623	12,455,917	9,798,540	55,084,080
Additions	**81,000,000**	**-**	**2,563,352**	**83,563,352**
Principal repayment	**-**	**-**	**(1,598,138)**	**(1,598,138)**
Interest expense and accretion (1)	**3,723,564**	**621,629**	**482,157**	**4,827,350**
Interest payment	**(2,767,189)**	**(552,500)**	**(482,157)**	**(3,801,846)**
Transaction costs	**(3,274,078)**	**-**	**-**	**(3,274,078)**
Amortization of transaction costs (1)	**1,078,390**	**-**	**-**	**1,078,390**
	112,590,310	**12,525,046**	**10,763,754**	**135,879,110**
Less: Current portion	**(18,489,163)**	**(432,918)**	**(2,955,749)**	**(21,877,830)**
Long-term debt at September 30, 2017	**$ 94,101,147**	**$ 12,092,128**	**$ 7,808,005**	**$ 114,001,280**

(1) Interest expense, accretion and amortization of transaction costs are capitalized to the mineral properties prior to the start of commercial production. In addition to the items above standby fees on the PLF and Equipment Facility of $54,592 and $547,422, have been expensed to the statement of loss for the three and nine months ended September 30, 2017, respectively, compared to $495,658 and $759,200 for the three and nine months ended September 30, 2016, respectively.

11. LONG-TERM DEBT *(continued)*

The Company's PLF contains certain project covenants including a minimum working capital ratio, calculated quarterly. At December 31, 2016, the Company was not in compliance with the minimum required working capital ratio. In the second quarter of 2017 the PLF lenders waived the minimum working capital requirement for the remainder of the year 2017, being the expected remaining period of construction of Touquoy. IAS 1, Presentation of Financial Statements, requires that unless any waiver to a breach of covenant has been obtained at the balance sheet date then the loan must be classified as current. Because this waiver and clarification of the applicability of this ratio was not obtained until after the balance sheet dates, the PLF and the convertible debentures and the Equipment Facility which have with cross defaults with the PLF, were classified as current at December 31, 2016.

(a) Project Loan Facility

On May 6, 2016, the Company, through a wholly owned subsidiary, executed a syndicated project facility agreement in respect of a $115 million 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 production. Project Completion is when, among other things, 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. The Company may prepay all or part of the principal balance outstanding at any time without penalty.

As at September 30, 2017, the PLF was fully drawn (December 31, 2016: $34 million). The PLF is secured through guarantees and a first ranking charge on all assets of the Company and each of its material subsidiaries. The PLF has a standby fee of 1.5% per annum, payable quarterly in arrears, on the daily undrawn principal amount of the PLF during the availability period.

The Company incurred transaction costs of $4,648,383 which were deferred as financing costs until such time that the facility is drawn down. As the PLF was drawn down, a proportionate amount of the deferred financing fees were reclassified from deferred financing fees to long-term debt as transaction costs, which are amortized over the repayment period of each respective drawdown using the straight-line method. The balance of the deferred financing at September 30, 2017 is nil (December 31, 2016: $3,274,078).

Hedge Facility

In order to mitigate gold price risk and as a condition of the PLF, the Company was required to enter into margin free gold forward sales contracts of 215,000 ounces at a minimum Canadian dollar forward price of $1,500. 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.

11. LONG-TERM DEBT *(continued)*

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

(b) Convertible Debentures

On May 10, 2016, the Company issued convertible debentures (the “Debentures”) of $13 million, including $8 million to a company owned by a director of the Company (see note 14b). 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 and (ii) May 30, 2022. The principal amount of the Debentures is convertible at the subscriber’s option into common shares of the Company at a conversion price of $0.60 per share, representing a 20% premium to the closing trading price of the common shares of the Company, prior to the date the financing was originally announced. Accrued interest is also convertible at the subscriber’s option into common shares of the Company but at the market price of the shares at the time of conversion.

The Company may prepay, with notice, all of the principal amount of the Debentures 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. For accounting purposes, repayment of the Debentures has been assumed to occur on May 10, 2021, which management will revisit at the prepayment date.

The Debentures are 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 Debentures 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 Debentures. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the Debentures and the fair value of the liability component, less a deferred income tax adjustment to reflect the book to tax difference in value of the Debentures at the time of issuance. As the Company has excess tax assets to offset the deferred tax liability, which was created from the book to tax difference in value of the Debentures, the deferred tax liability was reversed, resulting in a deferred tax recovery of $97,646.

Issuance costs of $586,974 were incurred and have been recorded pro rata against the liability and equity components. The liability balance of the issuance costs is amortized over the life of the Debentures.

(Expressed in Canadian Dollars)

11. LONG-TERM DEBT *(continued)*

(c) Equipment Facility

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 Mine. The term of the Equipment Facility is five years from delivery, and the facility is secured by the mining fleet.

As at September 30, 2017, the Company has entered into a total of 21 equipment lease contracts between May 26, 2016 and September 30, 2017 which form part of the $20 million Equipment Facility executed on May 26, 2016. Eighteen of the equipment lease contracts were accounted for as finance leasing contracts and as a result, the Company recognized $12,776,913 as a finance lease obligation, which was included as a non-cash addition to equipment within property, plant and equipment. Direct transaction costs of $560,722 were added to the cost base of the leased assets. The remaining three lease contracts were executed by way of a sale lease back arrangement. For accounting purposes, due to the repurchase option at the end of the lease term and management's judgement that this option is more likely than not to be exercised, these lease agreements were scoped out of IAS 17, Leases. As a result, the total proceeds of $482,185 received from the sale leaseback arrangement have been recognized as a loan and included as an addition to the lease obligation on the balance sheet, with the respective asset's remaining at their current book value within property, plant and equipment. Lease payments under the Equipment Facility are payable on a quarterly basis and comprise principal payments and interest, interest being CDOR plus 5.35%. The lease payment schedule is thus amended for each 90-day period to reflect increases or decreases to CDOR.

The Equipment Facility is also subject to a standby fee of 1.0% per annum, payable quarterly in arrears, commencing the date the Master Lease Agreement was executed.

12. RECLAMATION PROVISION

The reclamation provision is comprised of:

	September 30, 2017	December 31, 2016
Opening balance	**$ 1,581,624**	$ -
Additions	**2,392,999**	1,581,624
Accretion	**32,108**	-
Ending balance	**$ 4,006,731**	$ 1,581,624

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 December 31, 2017. The Company applied a discount rate of 1.61% (the risk-free rate) and an inflation rate of 2.0% in calculating the estimated obligation. The liability for reclamation in nominal dollars, undiscounted is $3,873,939. Accretion expense for the three and nine ended September 30, 2017 was $32,108 and $5,990, respectively (2016 - $nil), and has been recognized in the statement of loss and comprehensive loss.

(Expressed in Canadian Dollars)

13. EQUITY

(a) Authorized share capital

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

(b) Issued and fully paid common shares

In the nine months ended September 30, 2017, the following private placements were completed:

Date issued	Shares issued	Share price	Gross Proceeds	Share issue costs	Net Proceeds
September 20, 2017	2,304,000	$ 1.40	$ 3,225,600	$ (54,041)	$ 3,171,559
September 20, 2017(i)	305,700	$ 1.80	550,260	(9,214)	541,046
	2,609,700		$ 3,775,860	$ (63,255)	$ 3,712,605

In the nine months ended September 30, 2016, the following private placements were completed:

Date issued	Shares issued	Share price	Gross Proceeds	Share issue costs	Net Proceeds
September 22, 2016(i)	8,759,550	$ 1.05	$ 9,197,527	$ (439,534)	$ 8,757,993
May 6, 2016	46,531,749	$ 0.60	27,919,046	(1,268,219)	26,650,827
	55,291,299		$ 37,116,573	$ (1,707,753)	$ 35,408,820

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

	September 30, 2017	December 31, 2016
Opening balance	$ 1,165,091	$ -
Additions on issue of flow-through shares	122,280	1,489,124
Settlement of liability on expenditures made	(1,165,091)	(324,033)
Ending balance	$ 122,280	$ 1,165,091

The Company recognized a deferred tax recovery of $42,874 and $1,165,091 for the three and nine months ended September 30, 2017 and $nil and $97,646 for the three and nine months ended September 30, 2016.

(Expressed in Canadian Dollars)

13. EQUITY *(continued)*

(c) Stock options

The Company has a rolling stock option plan (the "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, 2016	11,313,700	0.34
Granted	4,025,000	0.53
Exercised	(2,530,000)	0.37
Outstanding - December 31, 2016	12,808,700	0.39
Granted	**4,275,000**	**0.99**
Forfeited	**(235,000)**	**1.01**
Exercised	**(2,619,950)**	**0.44**
Outstanding - September 30, 2017	**14,228,750**	**0.55**
Exercisable - September 30, 2017	**10,880,938**	**0.45**

Total share based payments recognized during the three months ended September 30, 2017 was $516,943 (2016: $450,115), with $357,150 recognized in the consolidated statement of loss and comprehensive loss (2016: $414,825), $147,137 capitalized to property, plant and equipment (2016: $35,290), and $12,323 capitalized to exploration and evaluation assets (2016: $nil).

Total share based payments recognized during the nine months ended September 30, 2017 was $2,221,202 (2016: $976,489), with $1,644,232 recognized in the consolidated statement of loss and comprehensive loss (2016: $831,045), $519,631 capitalized to property, plant and equipment (2016: $145,444), and $57,340 capitalized to exploration and evaluation assets (2016: $nil).

(Expressed in Canadian Dollars)

13. EQUITY *(continued)*

Stock options outstanding and exercisable at September 30, 2017 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)**
$0.28 – 0.34	5,490,000	$0.28	3.4	5,490,000	$0.28	3.4
$0.40 – 0.42	3,382,500	$0.41	3.8	3,072,188	$0.41	3.7
$0.63 – 0.86	1,550,000	$0.75	5.6	925,000	$0.75	5.6
$0.96 – 1.02	3,600,000	$0.96	6.1	1,350,000	$0.96	6.1
$1.48 – 1.58	206,250	$1.55	6.3	43,750	$1.53	5.5
	14,228,750	$0.55	4.5	10,880,938	$0.45	4.0

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 nine months ended September 30, 2017:

Risk-free interest rate	1.18% - 1.73%
Expected life	6.75 years
Annualized volatility	70%
Dividend rate	0.00%
Forfeiture rate	0.00%

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

(d) Share Purchase Warrants

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

	Number of outstanding warrants	**Weighted-average exercise price (in $)**
Balance - January 1, 2016	23,137,361	0.60
Exercised	(18,977)	0.60
Balance - December 31, 2016	23,118,384	0.60
Exercised	**(1,833,799)**	**0.60**
Balance - September 30, 2017	**21,284,585**	**0.60**

(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

(a) Key management compensation

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

	Three months ended September 30		Nine months ended September 30	
	2017	**2016**	**2017**	**2016**
Salaries and benefits	**$ 101,506**	$ 168,238	**$ 359,788**	$ 322,779
Consulting fees	**166,074**	147,750	**533,924**	453,853
Director fees	**55,625**	18,750	**191,375**	56,250
Share-based payments	**319,941**	382,236	**1,479,009**	808,777
	$ 643,146	$ 716,974	**$ 2,564,096**	$ 1,641,659

(b) Amount due to related parties

Amounts due to related parties are as follows:

Related party	**September 30, 2017**	December 31, 2016
Beedie Investments Limited[1]	**$ 7,707,720**	$ 7,665,180
Sirocco Advisory Services[2,4]	**21,920**	426,710
Metallica Consulting Services[3,4]	**15,750**	8,333
Directors[4]	**11,236**	57,083
Officers[4]	**829**	165,168

(1) The Company issued $8 million of Debentures to Beedie Investment Limited, a company controlled by a director of the Company. Of the amount owing, $266,411 is current at September 30, 2017 (December 31, 2016 - $7,665,180). The remaining amounts are recorded as long-term debt (see note 11b). In the period, Beedie Investment Limited received interest of $340,000.
(2) Sirocco Advisory Services, is a company controlled by a director and officer of the Company.
(3) Metallica Consulting Services is a company controlled by a director of the Company.
(4) Amounts due to related parties are unsecured, non-interest bearing and due on demand.

(c) Amount due from related parties

The Company charges office lease and administrative expenditures to Oceanic Iron Ore Corp. ("Oceanic"), a Company with officers and directors in common. During the three and nine month periods ended September 30, 2017, office lease and administrative expenditures billed to Oceanic amounted to $16,744 and $60,839, respectively (2016: $20,010 and $58,660, respectively). As at September 30, 2017, the Company was due $64,883 from Oceanic (December 31, 2016: $19,034).

(Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS

Financial instruments of the Company as at September 30, 2017 and December 31, 2015 are summarized as follows:

	September 30, 2017		December 31, 2016	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Loans and receivables				
Cash and cash equivalents	**$ 11,444,959**	**$ 11,444,959**	$ 14,396,987	$ 14,396,987
Due from related parties	**64,883**	**64,883**	19,034	19,034
Receivables	**958,366**	**958,366**	253,116	253,116
Restricted cash	**10,580,413**	**10,580,413**	9,337,346	9,337,346
Available for Sale asset	**248,077**	**N/A**	248,077	N/A
Financial liabilities				
Accounts payable and accrued liabilities	**$ 8,045,434**	**$ 8,045,434**	$ 3,815,348	$ 13,815,348
Due to related parties	**49,735**	**49,735**	657,294	657,294

Cash and cash equivalents, due from related party, receivables, restricted cash and other non-current assets are designated as loans and receivables and are measured at amortized cost. Accounts payable, Debentures, lease obligations, the Project Loan Facility, and amounts due to related parties are classified as other financial liabilities, which are measured at amortized cost.

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

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

16. COMMITMENTS

The commitments are similar to those discussed in the annual financial statements except as set out below:

(a) EPC Agreement - On May 8, 2016, the Company signed a fixed price Engineering, Procurement and Construction ("EPC") contract in the amount of $86.34 million to build a 2 million tonne per annum process plant, truck shop and office facilities, as well as other support infrastructure related to these facilities, for the Company's MRC Mine. At September 30, 2017, the Company had incurred $84 million in respect of the EPC contract.

(b) During the period the Company issued flow-through shares and as a result is committed to spend $550,260 in qualifying exploration expenditures by December 31, 2018.

17. SUBSEQUENT EVENTS

(a) On October 4, 2017, the Company completed a private placement financing for gross proceeds of $16,000,465 through the issuance of 9,460,500 common shares of the Company. Of the 9,460,500 common shares issued, 2,777,000 common shares qualified as flow-through shares issued at a price of $1.80 per share, with 3,825,500 common shares qualifying as charitable flow-through shares issued at a price of $1.83 per share. The remaining 2,858,000 common shares were issued at a price of $1.40 per share. The funds raised via the flow-through common shares will be used for qualifying exploration expenditures to be incurred by December 31, 2018.

(b) On October 24, 2017, the Company completed a private-placement financing for gross proceeds of $1,503,000 through the issuance of 835,000 flow-through common shares of the Company at a price of $1.80 per share. The funds raised via these private placements will be used for qualifying exploration expenditures to be incurred by December 31, 2018.

(c) Subsequent to September 30, 2017, 536,611 share purchase warrants and 1,000,000 stock options were exercised for gross proceeds of $321,967 and $378,250, respectively.