ARCUS DEVELOPMENT GROUP Inc.

CONDENSED INTERIM FINANCIAL STATEMENTS

APRIL 30, 2017

(Unaudited)

(These financial statements have not been reviewed by the Company's auditors)

ARCUS DEVELOPMENT GROUP INC.

Condensed Interim Statements of Financial Position (Unaudited, expressed in Canadian dollars)
As at

	Note	April 30, 2017	July 31, 2016
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		1,540,697	10,542
Amounts receivable	7	4,924	186
		1,545,621	10,728
Non current assets			
Exploration and evaluation property interests	5	4	4
Total assets		1,545,625	10,732
EQUITY AND LIABILITIES			
Current liabilities			
Trade accounts payable	6	9,270	2,425
Total liabilities		9,270	2,425
Equity			
Share capital	5, 9	9,341,478	6,813,211
Share option reserve		1,041,000	591,000
Share compensation reserve		135,000	135,000
Other reserve		605,605	130,605
Deficit		(9,586,728)	(7,661,509)
Total equity		1,536,355	8,307
Total equity and liabilities		1,545,625	10,732
Nature of operations and going concern	1, 2		

Approved by the Board of Directors:

"Ian J. Talbot"
Director

"James Gray"
Director

ARCUS DEVELOPMENT GROUP INC.

Condensed Interim Statements of Loss and Comprehensive Loss (Unaudited, expressed in Canadian dollars)

	Note	For the three months ended April 30, 2017	For the three months ended April 30, 2016	For the nine months ended April 30, 2017	For the nine months ended April 30, 2016
		$	$	$	$
Expenses					
Exploration and evaluation expenditures – net of recoveries	5	10,971	1,389	1,709,116	3,243
Bank charges and interest		(2,462)	-	(3,849)	50
Communications		205	180	2,613	540
Consultants		1,303	709	3,862	2,362
Insurance		-	-	10,000	10,000
Management fees	8	-	-	9,900	-
Office and sundry		192	-	260	34
Professional fees		2,470	-	11,372	12,395
Rent		600	600	1,800	1,800
Share based compensation	9	-	-	450,000	-
Travel and promotion		812	-	1,192	-
Trust and filing		12,728	9,575	19,004	15,313
Flow through liability premium - recovered		-	-	(290,051)	-
Net loss and comprehensive loss for the period		26,819	12,453	1,925,219	45,737
Loss per share		$ 0.00	$ 0.00	$ 0.03	$ 0.00
Weighted average number of common shares outstanding		67,901,111	46,158,155	74,369,919	46,158,155

ARCUS DEVELOPMENT GROUP INC.

Condensed Interim Statements of Cash Flows (Unaudited, expressed in Canadian dollars)

	Note	For the three months ended April 30, 2017	For the three months ended April 30, 2016	For the nine months ended April 30, 2017	For the nine months ended April 30, 2016
		$	$	$	$
Cash provided by (used for):					
Operating activities					
Net loss for the period		(26,819)	(12,453)	(1,925,219)	(45,737)
Adjustments for non-cash items:					
Non-cash exploration and evaluation expenditures		-	-	1,675,000	-
Share based compensation		-	-	450,000	-
Recovery of FIT share premium		-	-	(290,051)	-
Changes in non-cash working capital components:					
Amounts receivable	7	(2,443)	(1,024)	(4,738)	(2,942)
Trade accounts payable	6	5,015	(2,521)	6,845	1,516
		(24,247)	(15,998)	(88,163)	(47,163)
Financing activities					
Issuance of common shares		163,750	-	1,641,351	-
Share issuance costs		-	-	(23,033)	-
		163,750	-	1,618,318	-
Net change in cash during the period		139,503	(15,998)	1,530,155	(47,163)
Cash, beginning of period		1,401,194	30,179	10,542	61,344
Cash, end of period		1,540,697	14,181	1,540,697	14,181

* ***Supplementary Disclosure of Non-Cash Investing and Financing Activities***

Refer to notes 5 and 9.

ARCUS DEVELOPMENT GROUP INC.
Condensed Interim Statements of Changes in Equity (Unaudited, expressed in Canadian dollars)

	Common Shares		Share Option Reserve	Share Compensation Reserve	Other Reserve	Deficit	Total Equity
	Number	Amount					
		$	$	$	$	$	$
August 1, 2015	46,158,155	6,813,211	591,000	135,000	130,605	(7,608,087)	61,729
Loss for the period	-	-	-	-	-	(45,737)	(45,737)
April 30, 2016	46,158,155	6,813,211	591,000	135,000	130,605	(7,653,824)	15,992
August 1, 2016	46,158,155	6,813,211	591,000	135,000	130,605	(7,661,509)	8,307
Units issued for mineral properties	10,869,910	1,200,000	-	-	475,000	-	1,675,000
Private placements	14,400,000	1,398,851	-	-	-	-	1,398,851
Costs of share issuance	-	(313,084)	-	-	-	-	(313,084)
Stock options granted	-	-	450,000	-	-	-	450,000
Warrants exercised	4,850,000	242,500	-	-	-	-	242,500
Loss for the period	-	-	-	-	-	(1,925,219)	(1,925,219)
April 30, 2017	76,278,065	9,341,478	1,041,000	135,000	605,605	(9,586,728)	1,536,355

1. NATURE OF OPERATIONS

The Company was incorporated in British Columbia, Canada on June 6, 2006 and is in the business of pursuing and developing property interests that are considered to be sites of potential economic mineralization. The Company's registered office is Suite 1200 – 750 West Pender Street, Vancouver, BC.

The mineral exploration business involves, by its nature, a high degree of risk. There can be no assurance that exploration projects will result in valuable mineral discoveries or profitable mining operations. Additionally, there can be no assurance that a mining operation will achieve profitability once it commences operation.

2. GOING CONCERN

At April 30, 2017 the Company has net working capital of approximately $1,536,000. However, it has no source of operating revenue and has incurred losses since inception aggregating $9,586,728. Included in the $1,536,000 working capital figure is an obligation to incur eligible Canadian exploration expenditures of approximately $1,249,000 prior to December 31, 2017. The Company will need to raise additional equity financing to meet future exploration expenditures and general working capital requirements. The Company has limited working capital, no source of operating revenue and continued operations are dependent on the Company's ability to raise the necessary funds through equity issues or the sales of assets. Although the Company has been successful in raising funds to date, there can be no assurance that additional funding will be available in the future.

These condensed interim financial statements have been prepared assuming the Company will be able to realize its assets and discharge its liabilities in the normal course of business. At the date of these financial statements, the Company has not been able to identify a known body of commercial grade ore on any property and the ability of the Company to continue as a going concern is dependent upon it being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of a property. In the event the Company is not able to obtain adequate funding, there is material uncertainty as to whether the Company will be able to maintain or complete the acquisition of its property interests. These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to achieve profitable operations or to obtain adequate financing.

3. BASIS OF PRESENTATION

Statement of compliance

These condensed interim financial statements are unaudited and have been prepared on the historical cost basis in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* ("IAS 34"), using accounting policies which are consistent with the International Financial Report Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The accounting principles utilized herein are consistent with those applicable to the annual audited financial statements; however, they lack certain disclosures that are ordinarily only reported in those annual statements. Accordingly, these statements should be read in conjunction with the Company's last annual financial statements as at and for the year ended July 31, 2016 and filed on www.SEDAR.com.

The condensed interim financial statements for the nine month period ended April 30, 2017 were approved and authorized for issue by the Company board of directors on June 19, 2017.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's condensed interim financial statements in conformity with IAS 34 requires management to make judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Assumptions are continuously evaluated and are based on management's experience and other factors, including

3. BASIS OF PRESENTATION *(continued)*

expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these expectations. Revisions to any accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. These condensed interim financial statements do not include all of the information required for full annual financial statements.

Critical judgments in applying accounting policies:

The following is a critical judgment that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- the determination that the Company will continue as a going concern for the next year.

Key sources of estimation uncertainty:

There were no key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next year.

4. SIGNIFICANT ACCOUNTING POLICIES

Exploration and evaluation property interests

Exploration and evaluation property exploration costs, including option payments incurred in respect to earning a property interest, are expensed until the applicable property interests have reached a stage where their economic viability has been established.

Cost includes any cash consideration and advance royalties paid, and the fair market value of shares issued, if any, on the acquisition of exploration and evaluation property interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made.

Consistent with the provisions of IFRS 11, cost sharing activities involving other companies but not conducted through separate legal entities are considered to be 'Joint Operations', and are accounted for at cost. Accordingly, in a standard joint venture involving exploration companies in the initial stages of project development, each party recognizes its proportionate share of costs incurred, and in fact incurs such expenditures, based on its percentage of participation in a particular project. To the extent that a party fails to participate in project expenditures, its overall percentage interest in the project is then typically subject to dilution provisions.

Financial risk management

Currency risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between the Canadian and the United States dollar.

Commodity price risk

Commodity price risk is the risk that the fair value or expected future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. As the Company has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time. However, the Company is exposed to commodity price risk as it impacts the Company's access to capital and funding.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of cash and term deposits is limited because of their short-term investment nature. A variable rate of interest is earned on cash and term deposits, changes in market interest rates at the year-end would not have a material impact on the Company's financial statements.

Market risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

Environmental risk

The Company is engaged in resource exploration and development and is accordingly exposed to environmental risks associated with such activity. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements however there is no certainty that all environmental exposure has been addressed.

Capital disclosures

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, such that it can explore and develop its projects for the benefit of its shareholders and other stakeholders. The Company manages its capital structure and makes adjustments to it based upon changes in economic conditions and the risk characteristics of its assets. The Company may issue new shares through private placements and public offerings in order to maintain or adjust its capital structure. The Company is not subject to any externally-imposed capital requirements.

Accounting standards issued but not yet effective

The Company adopted no material new accounting standards during its current fiscal period, and is unaware of any applicable but not-yet-adopted standards that are expected to materially affect the financial statements of future periods.

For the nine months ended April 30, 2017 (Unaudited, expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION PROPERTY INTERESTS

Schedule of cumulative exploration and evaluation property costs

	Nine months ended April 30, 2016	Nine months ended April 30, 2017	Balance, July 31, 2016	Balance, April 30, 2017
	$	$	$	$
Dawson Gold Project, Yukon				
Acquisition	-	1,694,473	378,400	2,072,873
Staking fees	-	-	206,992	206,992
Exploration costs				
Airborne geophysical survey	-	-	576,617	576,617
Assays	-	-	288,893	288,893
Camp food & accommodation	-	-	112,790	112,790
Consultant's fees	3,107	13,782	257,413	271,195
Drilling	-	-	358,838	358,838
Equipment rental	-	-	338,357	338,357
Field personnel	-	-	687,327	687,327
Fixed wing & fuel	-	-	174,720	174,720
Helicopter & fuel	-	-	524,256	524,256
Maintenance costs	125	500	74,606	75,106
Management fees	-	-	9,913	9,913
Transport	11	-	19,101	19,101
Travel	-	124	31,361	31,485
Other field expenses	-	237	17,547	17,784
Yukon Mining Incentive Program rebate	-	-	(37,500)	(37,500)
Exploration and evaluation property costs	3,243	1,709,116	4,019,631	5,728,747

Dawson Gold Project, Yukon

By an agreement dated June 9, 2009, ATAC Resources Ltd. ("ATAC") granted the Company an option to acquire a 50% interest in each of the Green Gulch, Touleary, Dan Man and Shamrock gold prospects, collectively referred to as the Dawson Gold Project. During the 2012 fiscal year the Company exercised the option and acquired a 50% interest in the Dawson Gold Project by: (i) paying ATAC an aggregate $185,000 by March 1, 2012; (ii) issuing ATAC an aggregate of 1,000,000 Company shares by March 1, 2012; and (iii) incurring aggregate exploration expenditures of $3,500,000 prior to March 1, 2012.

Upon completion of these option requirements, the Company and ATAC formed a 50/50 joint venture to advance the project with the Company acting as Operator. One-half of all subsequent project costs were recovered from ATAC. For accounting purposes this joint venture was considered to be a 'Joint Operation', as described in the Company's significant accounting policies.

Pursuant to the property purchase agreement dated August 2, 2016, the Company acquired ATAC's 50% joint venture interest in the Dawson Gold Project in consideration for the issue of 10,869,910 common shares and 5,000,000 share purchase warrants, and the granting of a 1% net smelter return ("NSR") royalty interest in any future production from any of the four Dawson properties. Each share purchase warrant entitles ATAC to purchase one common share of the Company at a price of $0.20 until August 19, 2021. The share consideration issued has been recorded at a fair value of $1,200,000 based on the value of the Company's shares at the date of issue. The warrants issued were measured using the Black-Scholes option pricing model to derive an estimated fair value of $475,000; no value was assigned to the NSR. All of these warrants remain unexercised subsequent to April 30, 2017. Refer also to note 9.

For the nine months ended April 30, 2017 (Unaudited, expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION PROPERTY INTERESTS *(continued)*

For financial statement presentation purposes, each of the four prospects is carried on the Company's Statements of Financial Position at $1. The Company's current accounting policy is to expense the related exploration and property acquisition costs as incurred. The historical continuity of these costs is disclosed in the above table.

6. TRADE ACCOUNTS PAYABLE

	April 30, 2017	July 31, 2016
	$	$
Financial liabilities		
Trade accounts payable	9,270	2,425

All amounts are short term. The carrying value of trade accounts payable is considered a reasonable approximation of fair value.

7. AMOUNTS RECEIVABLE

The Company has an amount receivable from the Government of Canada for statutory credits and has classified this receivable as a non-financial asset.

8. RELATED PARTY TRANSACTIONS AND BALANCES

Relationships	**Nature of the relationship**
Key management	Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the President and Chief Executive Officer, Directors, and the Chief Financial Officer. The Company's President and Chief Executive Officer is also the Chief Operating Officer of ATAC.

Services provided for the period ended April 30, 2017	Management Services	Amounts in Accounts Payable at April 30, 2017
Key management	$ 11,400	$ -

Services provided for the period ended April 30, 2016	Management Services	Amounts in Accounts Payable at April 30, 2016
Key management	$ -	$ -

9. EQUITY

At April 30, 2017 the authorized share capital consists of an unlimited number of common shares without par value. All issued shares are fully paid.

During the interim period ended April 30, 2017, all 4,850,000 share purchase warrants issued pursuant to the April 8, 2015 non-brokered private placement were exercised to purchase 4,850,000 common shares at a price of $0.05 per share for proceeds of $242,500.

On October 25, 2016, the Company closed concurrent non-brokered flow-through and non-flow-through private placements for a total of 12,610,916 flow-through units sold at a price of $0.10 per unit for gross proceeds of $1,261,092, and a total of 1,789,084 non-flow-through units sold at a price of $0.077 per unit for gross proceeds of $137,759. The aggregate proceeds from the sale of all units were $1,375,818, net of cash share issuance costs of $23,033. Both the flow-through and the non-flow-through units were

For the nine months ended April 30, 2017 (Unaudited, expressed in Canadian dollars)

9. EQUITY *(continued)*

comprised of one common share of the Company and one half of one transferrable share purchase warrant. Each full warrant entitles the holder to purchase one non-flow-through share at a price of $0.20 per share at any time on or before October 24, 2018.

The per unit premium received on the flow-through units relative to the non-flow through units was recorded as a share issuance cost and current liability of $290,051. The liability was reversed to operations as at December 31, 2016, the effective date of renunciation of the flow-through expenditures. No values were allocated to the warrant components of these financings. All of these warrants remain unexercised subsequent to the period end.

On January 23, 2017, stock options were granted to various directors, officers and consultants, entitling them to purchase up to a total of 3,600,000 shares at a price of $0.14 per share for a period of five years. These options vested to the recipients on the date of grant, and subsequent to period end all remain unexercised. The Company recognized a fair value of $450,000 in respect to the issuance of the above stock options, and the amount was credited to share option reserve on the Company's balance sheet.

The Company utilized the Black-Scholes option pricing model to calculate this amount, with the following assumptions:

Risk-free interest rates	1.17%
Expected life	5 years
Volatility	146%
Expected dividend yield	nil

The fair value of stock options awarded was $0.125 per option.

Changes in these subjective input assumptions can materially affect the fair value estimates, and therefore management believes that the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options and warrants.

Refer also to note 5.