# GLOBAL ATOMIC CORPORATION

**(formerly Silvermet Inc.)**

**CONDENSED INTERIM**
**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED**
**MARCH 31, 2018 & 2017**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED)**

# Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Global Atomic Corporation (the "Corporation" or "Global Atomic") for the three months ended March 31, 2017 and 2018 have been prepared by the management of Global Atomic Corporation, reviewed by the Audit Committee of the Board of Directors and approved by the Board of Directors.

In accordance with National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators, the Company herewith discloses that the accompanying unaudited interim consolidated financial statements have not been reviewed by an auditor.

May 25, 2018

*"Stephen G. Roman"*
Stephen G. Roman
Chairman, President & CEO

*"Rein A. Lehari"*
Rein A. Lehari
Chief Financial Officer

## Global Atomic Corporation (formerly Silvermet Inc.)

**Condensed Interim Consolidated Statements of Financial Position**
**(Expressed in Canadian Dollars)**
(unaudited)

| | Note reference | | **As at March 31, 2018** | | **As at December 31, 2017** |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | | $ | 851,725 | $ | 2,132,572 |
| Accounts receivable | 4,10 | | 282,223 | | 319,970 |
| Prepaid expenses | | | 45,020 | | 28,214 |
| | | | 1,178,968 | | 2,480,756 |
| Non-current assets | | | | | |
| Plant and equipment | | | 20,799 | | 40,204 |
| Advance payments for exploration and evaluation | | | 626,970 | | 419,009 |
| Exploration and evaluation assets | 5,16 | | 28,483,424 | | 25,067,393 |
| Investment in joint venture | 6 | | 14,251,351 | | 10,495,350 |
| Total assets | | $ | 44,561,512 | $ | 38,502,712 |
| **LIABILITIES AND EQUITY** | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | 7,10 | $ | 3,530,866 | $ | 2,241,800 |
| Notes payable | 8 | | 714,277 | | 771,307 |
| Debenture | 10 | | 492,522 | | 477,522 |
| Total liabilities | | | 4,737,665 | | 3,490,629 |
| Equity | | | | | |
| Share capital | 11 | $ | 36,591,973 | $ | 36,591,973 |
| Share purchase warrants | 12 | | 614,263 | | 614,263 |
| Contributed surplus | 13 | | 6,067,079 | | 6,067,079 |
| Retained earnings (deficit) | | | 2,534,965 | | (1,212,836) |
| Accumulated other comprehensive loss | | | (5,984,433) | | (7,048,396) |
| Total equity | | | 39,823,847 | | 35,012,083 |
| Total liabilities and equity | | $ | 44,561,512 | $ | 38,502,712 |

| | |
|---|---|
| **Nature of operations** | 1 |
| **Commitments and contingent liabilities** | 16 |
| **Subsequent events** | 17 |

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

On behalf of the Board:

*"Stephen G. Roman"*
Stephen G. Roman

*"Paul Cronin"*
Paul Cronin

## Global Atomic Corporation (formerly Silvermet Inc.)

**Condensed Interim Consolidated Statements of Income**
**(Expressed in Canadian Dollars)**
(unaudited)

| | Note reference | Three months ended March 31, 2018 | 2017 |
|---|---|---|---|
| Revenues | 14 | $ 251,765 | $ 242,407 |
| **Income from operations** | | 251,765 | 242,407 |
| | | | |
| General and administration | 9,10 | 417,424 | 174,682 |
| Finance expense (income) - net | 14 | 58,350 | (8,994) |
| Foreign exchange loss | | 1,772 | 25,600 |
| Share of net earnings from joint venture | 6 | (3,973,582) | (2,310,418) |
| **Net income before income taxes** | | 3,747,801 | 2,361,537 |
| | | | |
| Current income tax expense | | - | - |
| Deferred income tax expense | | - | - |
| **Net income** | | $ 3,747,801 | $ 2,361,537 |
| | | | |
| **Basic net income per share** | | $0.035 | $0.046 |
| **Diluted net income per share** | | $0.035 | $0.046 |
| | | | |
| **Basic weighted-average number of shares outstanding** | | 106,997,850 | 51,674,442 |
| **Diluted weighted-average number of shares outstanding** | | 106,997,850 | 51,674,442 |

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

## Global Atomic Corporation (formerly Silvermet Inc.)

**Condensed Interim Consolidated Statements of Comprehensive Income**
**(Expressed in Canadian Dollars)**
(unaudited)

| | Three months ended March 31, 2018 | 2017 |
|---|---|---|
| Net income for the period | $ 3,747,801 | $ 2,361,537 |
| Other comprehensive income (loss) for the period | | |
| Item that may be subsequently classified to statements of income | | |
| Share of currency translation adjustment of joint venture | (217,581) | (359,339) |
| Items that will not be subsequently classified to statements of income | | |
| Share of remeasurements of post employment benefit obligations of joint venture | - | - |
| Currency translation adjustments | 1,281,544 | (643) |
| | 1,281,544 | (643) |
| Other comprehensive income (loss) for the period | 1,063,963 | (359,982) |
| Comprehensive income for the period | $ 4,811,764 | $ 2,001,555 |

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

## Global Atomic Corporation (formerly Silvermet Inc.)

**Condensed Interim Consolidated Statements of Changes in Equity**
**(Expressed in Canadian Dollars)**
(unaudited)

| | Note Reference | Share Capital | Share Purchase Warrants | Contributed Surplus | Retained Earnings (Deficit) | Accumulated Other Comprehensive Loss | Total Equity |
|---|---|---|---|---|---|---|---|
| **Balance, December 31, 2017** | | **$ 36,591,973** | **$ 614,263** | **$ 6,067,079** | **$ (1,212,836)** | **$ (7,048,396)** | **$ 35,012,083** |
| Net income | | - | - | - | 3,747,801 | - | 3,747,801 |
| Other comprehensive gain | | - | - | - | - | 1,063,963 | 1,063,963 |
| **Balance, March 31, 2018** | | **$ 36,591,973** | **$ 614,263** | **$ 6,067,079** | **$ 2,534,965** | **$ (5,984,433)** | **$ 39,823,847** |
| | | | | | | | |
| **Balance, December 31, 2016** | | **$ 18,056,315** | **$ -** | **$ 5,417,079** | **$ (6,357,881)** | **$ (6,242,073)** | **$ 10,873,440** |
| Net income | | - | - | - | 2,361,537 | - | 2,361,537 |
| Other comprehensive loss | | - | - | - | - | (359,982) | (359,982) |
| **Balance, March 31, 2017** | | **$ 18,056,315** | **$ -** | **$ 5,417,079** | **$ (3,996,344)** | **$ (6,602,055)** | **$ 12,874,995** |

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

## Global Atomic Corporation (formerly Silvermet Inc.)

**Condensed Interim Consolidated Statements of Cash Flows**
**(Expressed in Canadian Dollars)**
(unaudited)

| | Note reference | Three months ended March 31, 2018 | 2017 |
|---|---|---|---|
| **Cash generated from (used in)** | | | |
| **Operating activities** | | | |
| Net income | | $ 3,747,801 | $ 2,361,537 |
| Share of net earnings from joint venture | 6 | (3,973,582) | (2,310,418) |
| Accrued interest | | 59,220 | - |
| | | (166,561) | 51,119 |
| Non-cash working capital items: | | | |
| Accounts receivable | 4 | 37,747 | (503,261) |
| Prepaid expenses | | (16,806) | 789 |
| Accounts payable and accrued liabilities | 7 | (90,101) | (8,915) |
| Cash flows generated from (used in) operating activities - net | | (235,721) | (460,268) |
| **Financing activities** | | | |
| Convertible note principal and interest paid | 8 | (51,250) | - |
| Cash flows used in financing activities - net | | (51,250) | - |
| **Investing activities** | | | |
| Advance payments for exploration & evaluation expenditures | | (207,961) | - |
| Exploration and evaluation expenditures | 5 | (785,870) | - |
| Dividends from joint venture | 6 | - | 2,686,759 |
| Cash flows generated from investing activities - net | | (993,831) | 2,686,759 |
| **Net change in cash and cash equivalents** | | (1,280,802) | 2,226,491 |
| **Effect of exchange rate changes on cash and cash equivalents** | | (45) | (642) |
| **Cash and cash equivalents, beginning of period** | | 2,132,572 | 320,667 |
| **Cash and cash equivalents, end of period** | | $ 851,725 | $ 2,546,516 |
| Interest paid during the period | | $ (1,250) | $ - |
| Interest received during the period | | 870 | 39 |
| Income taxes paid during the period | | - | - |

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

## 1. Nature of Operations

Global Atomic Corporation (formerly Silvermet Inc.) and its subsidiaries (collectively, the "Corporation" or "Global Atomic") have two principal lines of business:

1. the processing of electric arc furnace dust ("EAFD") obtained from steel companies through a Waelz kiln to recover zinc concentrates that are then treated by zinc smelters; and
2. the acquisition, exploration and development of mineral resource properties

Global Atomic Corporation, the parent and ultimate parent, is a corporation incorporated under the laws of Ontario, Canada and its registered office is 8 King Street East, Suite 1700, Toronto, Ontario, M5C 1B5. Global Atomic Corporation is also the highest level at which these financial statements are consolidated.

The Corporation's EAFD activities are conducted through Befesa Silvermet Turkey S.L. ("BST"), a Spanish incorporated joint venture with Befesa Zinc S.A.U. ("Befesa"). The joint venture is held 51% by Befesa and 49% by the Corporation. The relationship between the joint venture partners is governed by a Shareholders Agreement. The joint venture was established to operate EAFD activities within Turkey. At present, BST operates one EAFD facility located in Iskenderun, Turkey, through wholly-owned subsidiaries. The condensed interim consolidated financial statements for the three months ended March 31, 2018 and 2017 reflect the impact of using the equity method to account for Global Atomic's interest in the joint venture with the Corporation's share of net earnings and net assets separately disclosed (Note 5).

The Corporation's mineral resource properties are located in Niger. Through its wholly-owned subsidiary, Global Atomic Fuels Corporation ("GAFC"), the Corporation holds six Mining Agreements and related Exploration Permits in Niger, on which it has conducted exploration activities for uranium. The Corporation acquired GAFC on December 22, 2017, as more fully described in Note 6 of the consolidated financial statements for the years ended December 31, 2017 and 2016. Based on historic exploration results and uranium market conditions, the Corporation determined that the purchase price allocated to exploration and evaluation assets was virtually all attributable to the Adrar Emoles 3 Exploration Permit. The Corporation has not yet determined whether Adrar Emoles property contains reserves that are economically recoverable. The economic recoverability of resource properties, including capitalized exploration and evaluation expenditures, is dependent upon the existence of economically recoverable mineral reserves, the ability of the Corporation to obtain necessary financing to complete the exploration and development of the resource properties, and upon future profitable production or proceeds from the disposition thereof.

## 2. Basis of Presentation and Statement of Compliance

The condensed interim consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRIC") interpretations applicable to companies reporting under IFRS, including IAS 34, Interim Financial Reporting and include the operating results of Global Atomic and its subsidiaries and joint ventures. Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the Corporation's annual financial statements for the year ended December 31, 2017, which were prepared in accordance with IFRS.

These condensed interim consolidated financial statements as at and for the period ended March 31, 2018 and 2017 were approved by the Global Atomic Board of Directors on May 25, 2018.

## 3. Significant Accounting Policies, Accounting Standards and Amendments

### a) Significant Accounting Policies

The preparation of these condensed interim consolidated financial statements requires the use of certain significant accounting estimates and judgment by management in applying the Corporation's accounting policies. The areas involving significant estimates and judgment have been set out in Note 5 of the Corporation's annual audited consolidated financial statements for the year ended December 31, 2017, except as follows:

**Impairment of long-lived assets**

Assessment of impairment of investments measured at cost and joint venture equity investments requires the use of judgments, assumptions and estimates when assessing whether there are any indicators that could give rise to the requirement to conduct a formal impairment test on the Corporation's long-lived assets. If indicators exist there are further assessments of the recoverable amounts of the assets and the use of estimates and assumptions for projected production, long-term commodity prices, discount rates, foreign exchange rates, future capital expansion plans and the associated production implications. In addition, the Corporation may use other approaches in determining fair value which may include judgment and estimates related to (i) cash-flow multiples; and (ii) market capitalization of comparable assets. As at March 31, 2018, the Corporation noted an impairment indicator under IAS 36 as the market capitalization was below the Corporation's net assets. The Corporation assessed the carrying value of its exploration and evaluation assets and investment in joint venture, and based on the assessment, no impairment loss has been recognized during the period.

Significant accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those of the previous financial year and have been consistently applied to all years presented.

### b) Accounting Standards and Amendments

For the accounting standard changes applicable to 2018, in the current period the Corporation has assessed the impact of IFRS 9 and 15 on its interim and annual consolidated financial statements and does not expect a material change on adoption of these standards.

**(Expressed in Canadian Dollars)**

## 4. Accounts Receivable

| | | March 31, 2018 | | December 31, 2017 |
|---|---|---|---|---|
| Management fees & sales commissions receivable[(a)] (Note 5,8) | $ | 199,256 | $ | 169,929 |
| Harmonized sales tax receivable | | 55,697 | | 75,827 |
| Due from related parties (Note 8) | | 15,257 | | 58,836 |
| Other | | 12,013 | | 15,378 |
| Total accounts receivable | $ | 282,223 | $ | 319,970 |

(a) Management fees and sales commissions are receivable from BST and Befesa, respectively, and are deemed collectible with no allowance for doubtful debts provided as at March 31, 2018 and December 31, 2017.

## 5. Exploration and Evaluation Assets

The Corporation has the following permits and associated exploration and evaluation assets in the Republic of Niger:

Adrar Emoles Exploration Permits

In October 2007, the Corporation announced the signing of two Mining Agreements for a term of twenty years with the Republic of Niger for the Adrar Emoles 3 and 4 Permits. As part of these agreements, the Corporation entered into Exploration Permits requiring it to spend US$2,762,100 per Permit over the three-year period beginning February 8, 2008. In August 2010, as a result of Force Majeure circumstances, the initial three-year period was extended to June 8, 2012. In November 2011, the Exploration Permits relating to Adrar Emoles were further extended to December 7, 2012.

On January 17, 2013, the Niger Ministry of Mines approved the Corporation's renewal of both Exploration Permits, subject to the relinquishment of 50% of the surface area as per the requirements of the Niger Mining Code. There were no amounts capitalized as exploration and evaluation expenditures that specifically relate to the relinquished permit areas. The Adrar Emoles 3 and 4 Exploration Permits were renewed until January 17, 2016 and required further exploration expenditures amounting to US$7,005,900 and US$4,087,300, respectively.

On January 29, 2016, the Republic of Niger Ministry of Mines approved the Corporation's renewal of Adrar Emoles 3 and 4 Permits, subject to the relinquishment of a further 50% of the remaining surface area as per the requirements of the Niger Mining Code for a period of three years commencing the date of renewal. There are no amounts capitalized as exploration and evaluation expenditures that specifically relate to the relinquished permit areas. The permits require the further exploration expenditures over the three-year period. As at March 31, 2018, the Corporation has made exploration spending only on the Adrar Emoles 3 permit; while it has made only limited exploration expenditures in respect of the Adrar Emoles 4 permit (Note 16).

**(Expressed in Canadian Dollars)**

Tin Negoran Exploration Permits

In February 2007, the Corporation announced the signing of four Mining Agreements for a term of twenty years with the Republic of Niger regarding four uranium Permits in that country. The initial three-year exploration phase on the Tin Negoran 1, 2, 3 and 4 Permits required that the Corporation spend US$2,250,000 per Permit over the three-year period beginning April 16, 2007. On August 16, 2010, as a result of Force Majeure circumstances, the initial three-year period was extended to November 16, 2012.

On January 18, 2013, the Niger Ministry of Mines approved the Corporation's renewal of all four Exploration Permits, subject to the relinquishment of 50% of the surface area as per the requirements of the Niger Mining Code. There were no amounts capitalized as exploration and evaluation expenditures that specifically relate to the relinquished permit areas. The Tin Negoran Exploration Permits were renewed until January 18, 2016 and required exploration expenditures amounting to US$378,197, US$336,879, US$850,070 and US$461,592, respectively. Minimal expenditures were made on Tin Negoran 1 during this period.

On January 29, 2016, the Republic of Niger Ministry of Mines approved the Corporation's renewal of Tin Negoran 1, 2, 3 and 4 Permits, subject to the relinquishment of a further 50% of the remaining surface area as per the requirements of the Niger Mining Code for a period of three years commencing the date of renewal. There are no amounts capitalized as exploration and evaluation expenditures that specifically relate to the relinquished permit areas. Limited expenditures had been made on these permits as of March 31, 2018 (Note 16).

The Corporation's exploration activities are as follows:

| | | March 31, 2018 | | December 31, 2017 |
|---|---|---|---|---|
| **Exploration and evaluation assets - beginning** | **$** | **25,067,393** | **$** | **-** |
| Fair value of exploration and evaluation assets acquired | | - | | 24,456,651 |
| Transaction costs | | - | | 534,982 |
| Drilling | $ | 1,209,164 | | - |
| Management fees, salaries and benefits | | 325,668 | | 17,917 |
| Geophysics and surveys | | 175,282 | | - |
| Sampling, assays and other test work | | 34,262 | | - |
| Camp and field expenses | | 46,186 | | - |
| Security costs | | 61,354 | | - |
| Equipment, fuel and maintenance | | 63,820 | | 45 |
| Travel | | 33,782 | | - |
| Depreciation on plant and equipment | | 24,210 | | 55,918 |
| Exploration permits and other fees | | 80,970 | | - |
| Other | | 4,884 | | - |
| Exchange differences | | 1,356,449 | | 1,880 |
| **Exploration and evaluation assets - ending** | **$** | **28,483,424** | **$** | **25,067,393** |

The above table reflects the fair value of the exploration and evaluation assets acquired on December 22, 2017 and subsequent expenditures. For permit related expenditures incurred during the term of the current exploration permit period, refer to Note 16.

**(Expressed in Canadian Dollars)**

Mining Code of the Republic of Niger

In accordance with the Mining Code of the Republic of Niger, a company may only renew its exploration permits twice in order to perform exploration and evaluation activities. As a result, the renewal of Adrar Emoles 3 and 4 and Tin Negoran 1, 2, 3 and 4 Permits completed on January 29, 2016 is the Corporation's last renewal of such permits. The Corporation may not be able to renew such permits again and thus must complete exploration and evaluation activities on the properties prior to their expiration on January 28, 2019.

Under the country's Mining Code, upon the issuance of a mining permit, the resource must be transferred to a newly incorporated Niger mining corporation. Niger government is granted 10% of the common shares of the new Niger mining corporation at no cost and on a carried interest basis going forward and Global Atomic is entitled to be repaid 10% of the total costs incurred to that date. The Republic of Niger has the right to elect to increase its interest in the common shares of the Niger mining corporation by up to 30% by committing to fund its proportional share of future debt and equity requirements.

## 6. Investment in Joint Venture

At March 31, 2018, the Corporation holds a 49% interest in the BST joint venture, with the remaining 51% held by Befesa. The BST joint venture is governed by the Shareholders Agreement between the joint venture partners that requires unanimous approval for certain key strategic, operating, investing and financing policies of the BST joint venture. The investment in the BST joint venture is accounted for using the equity method. There are no publicly quoted market prices for BST.

Summarized financial information of BST on a 100% basis and reflecting the Corporation's 49% interest is as follows:

**Summarized consolidated statements of financial position:**

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 19,841,793 | $ 14,689,552 |
| Other current assets (excluding cash and cash equivalents) | 8,087,388 | 5,281,638 |
| **Non-current assets** | 6,236,509 | 6,299,271 |
| | $ 34,165,690 | $ 26,270,461 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | $ 2,580,060 | $ 2,522,970 |
| Income tax payable | 1,424,422 | 1,298,296 |
| **Long-term liabilities** | 1,076,818 | 1,030,114 |
| | $ 5,081,300 | $ 4,851,380 |
| **Net assets** | $ 29,084,390 | $ 21,419,081 |
| **The Corporation's equity share of net assets of joint venture** | $ 14,251,351 | $ 10,495,350 |

**(Expressed in Canadian Dollars)**

**Commitments and contingent liabilities:**

Commitments and contingent liabilities of the joint venture are as follows:

Credit Line

In 2012, the joint venture executed a 500,000 TL ($214,032) credit line agreement with VakifBank in Turkey. In 2014, the credit line was increased to US$1,500,000, available to be withdrawn for general business and working capital purposes. As at March 31, 2018, TL 425,000 ($138,572) of the available limit was used for a guarantee letter to the Iskenderun Organized Industrial Zone to secure better pricing and payment terms for the purchase of natural gas. The terms of the guarantee letter that was issued under the credit line agreement are as follows:

| Value | Fee | Maturity | Fee Payments |
|---|---|---|---|
| TL 425,000 | 0.5% p.a. | Indefinite | Quarterly |

**Summarized consolidated statements of income (loss):**

| | Three months ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Gross sales revenue | $ 17,739,911 | $ 13,400,609 |
| Treatment and transportation costs | 1,279,813 | 2,089,178 |
| Cost of sales | 7,308,740 | 4,574,095 |
| Depreciation and amortization | 129,234 | 138,946 |
| General and administration | 12,634 | 7,463 |
| Management fees and sales commissions | 513,806 | 494,708 |
| Finance expense (income) - net | 9,264 | (13,566) |
| Other income | (1,037,111) | (483,605) |
| Tax expense | 1,414,180 | 1,878,250 |
| Net income | $ 8,109,351 | $ 4,715,140 |
| The Corporation's equity share of net income of joint venture | $ 3,973,582 | $ 2,310,418 |
| Other comprehensive loss | $ (444,043) | $ (733,345) |
| The Corporation's equity share of other comprehensive loss of joint venture | $ (217,581) | $ (359,339) |

**(Expressed in Canadian Dollars)**

**Statements of investment in joint venture:**

| | | |
|---|---|---|
| Opening net assets of the Corporation's investments in joint venture at January 1, 2018 | $ | 10,495,350 |
| Corporation's share of net earnings of joint venture | | 3,973,582 |
| Corporation's share of other comprehensive loss of joint venture | | (217,581) |
| Carrying value of the Corporation’s investment in joint venture at March 31, 2018 | $ | 14,251,351 |

| | | |
|---|---|---|
| Opening net assets of the Corporation’s investments in joint venture at January 1, 2017 | $ | 8,901,719 |
| Corporation’s share of net earnings of joint venture | | 2,310,418 |
| Dividends from joint venture | | (2,686,759) |
| Corporation's share of other comprehensive loss of joint venture | | (359,339) |
| Carrying value of the Corporation's investment in joint venture at March 31, 2017 | $ | 8,166,039 |

## 7. Accounts Payable and Accrued Liabilities

| | | March 31, 2018 | | December 31, 2017 |
|---|---|---|---|---|
| Trade payables | $ | 3,239,216 | $ | 1,921,056 |
| Due to related parties (Note 14) | | 154,711 | | 161,155 |
| Shares to be issued | | 115,689 | | 115,689 |
| Accrued expenses and other liabilities | | 21,250 | | 43,900 |
| Total accounts payable and accrued liabilities | $ | 3,530,866 | $ | 2,241,800 |

## 8. Notes Payable

On September 30, 2015, GAFC completed a convertible notes financing (“Notes”) for gross proceeds of $295,000. The Notes had a term of 24 months to September 30, 2017, were repayable at the face amount of $295,000 on maturity and were convertible at any time prior to maturity at a rate of $1.00 per common share of GAFC. The Notes bore interest at an annual rate of 25%, payable on each of September 30, 2016 and 2017. In addition, investors in the Notes received 2.5 warrants per $1 invested, for a total of 687,500 warrants. Each common share purchase warrant entitled the holder to purchase one common share at a price of $1.50. The warrants were exercisable for a period of twenty-four (24) months from the date on which GAFC shares were publicly listed.

On February 28, 2016 and March 17, 2016, GAFC completed a $100,000 and a $100,000 convertible note (“Notes”) financing on the same terms and conditions as the September 30, 2015 convertible note financing, except that the maturity dates were February 28, 2017 and March 30, 2017, respectively.

Upon closing of the acquisition of GAFC, the Corporation assumed the liability for the Notes. Notes holders have not been paid accrued interest on the Notes since originally issued and the liability for this payment was also assumed by the Corporation. Accordingly, outstanding warrant quantities and exercise prices were adjusted as per the terms of the transaction. The outstanding warrants were repriced at $1.92 share ($1.50 / 2.147 x 2.75) and are exercisable for a period of twenty-four (24) months from December 22, 2017, the date of the transaction.

**(Expressed in Canadian Dollars)**

As of March 31, 2018, $339,270 accrued interest payable on the Notes was outstanding. The Notes are subject to an annual interest that is payable on amounts in default at an annual rate of 30% from and including the day on which the payment was due.

At March 31, 2018, the Corporation was in default of its payment obligations on the Notes except payment of $120,000 (2017 - $ nil) principal and $13,750 (2017 - $ nil) interest, that were paid in Q4, 2017 and Q1, 2018. The Corporation has received no claims in relation to payment of the remaining outstanding amounts.

## 9. General and administration

| | Three months ended March 31, 2018 | 2017 |
|---|---|---|
| Management fees | $ 156,000 | $ 115,650 |
| Audit expense | 29,036 | 16,061 |
| Legal expenses | 26,120 | 2,982 |
| Directors fees | 3,500 | - |
| Travel expenses | 41,270 | - |
| Occupancy costs | 25,052 | 14,609 |
| Office and general expenses | 50,696 | 6,000 |
| Corporate secretarial services | 9,000 | 3,000 |
| Insurance | 2,619 | 1,290 |
| Listing fees | 8,200 | 5,600 |
| Salaries and benefits | 26,989 | - |
| Investor relations and website | 25,641 | - |
| Shareholders meeting | - | 3,043 |
| Other expense | 13,301 | 6,447 |
| | $ 417,424 | $ 174,682 |

**(Expressed in Canadian Dollars)**

## 10. Related Party Transactions

| a) Due from related parties | | March 31, 2018 | | December 31, 2017 |
|---|---|---|---|---|
| Befesa and BST(i) | $ | 199,292 | $ | 169,929 |
| Subscription due from director | | - | | 55,600 |
| Harte Gold Corp.(ii) | | 14,971 | | 2,986 |
| Romex Mining Corporation(ii) | | 250 | | 250 |
| | $ | 214,513 | $ | 228,765 |

| b) Due to related parties | | March 31, 2018 | | December 31, 2017 |
|---|---|---|---|---|
| Notes payable to directors | $ | 435,270 | $ | 508,490 |
| Debenture from director | | 492,522 | | 477,522 |
| Romex Mining Corporation(ii) | | 93,371 | | 93,040 |
| Harte Gold Corp.(ii) | | 61,340 | | 68,115 |
| | $ | 1,082,503 | $ | 1,147,167 |

i. Befesa and BST are related parties as a result of the BST joint venture. Amounts due from Befesa and BST include management fees and sales commissions.

ii. During the three months ended March 31, 2018 and 2017, the Corporation received reimbursement for rent and other expenses from companies with key management, personnel and directors, in common to Global Atomic, as well as reimbursing such other companies for certain expenses incurred on behalf of Global Atomic. The Corporation charged a total of $30,000 to the related companies concerning these expenses for the three months ended March 31, 2018 (2017 - $40,380).

During the three months ended March 31, 2018, the Corporation paid key management personnel, including officers, directors, or their related entities for management services. Compensation of key management personnel and directors for services provided was $165,000, including $ nil share-based compensation expense (2017 - $118,650 including $ nil share-based compensation). At March 31, 2018, the amount payable related to these services was $ nil (December 31, 2017 – $ nil). These transactions were in the normal course of operations.

All balances due to and from related parties, with the exception of the debenture from director, have occurred in the normal course of operations, and amounts due are unsecured, non-interest bearing and due on demand.

As part of the acquisition, Global Atomic assumed the $400,000 outstanding debenture that GAFC had received from one of the directors of the Corporation. The debenture is for general working capital purposes, due December 31, 2017. The interest on the aggregate principal amount is calculated at the annual rate of 15% on the amounts outstanding and recorded as part of accounts payable and accrued liabilities. As of March 31, 2018, total interest payable on the $400,000 loan was $92,522 (December 31, 2017 – $77,522).

**(Expressed in Canadian Dollars)**

## 11. Share Capital

a) Authorized - Unlimited number of common shares, at no par value

b) Common shares issued

| | Number of Shares | Amount |
|---|---|---|
| Balance, December 31, 2016 | 142,104,716 | $ 18,056,315 |
| Balance, March 31, 2017 | 142,104,716 | $ 18,056,315 |
| Shares issued on acquisition(i) | 152,139,372 | $ 18,553,028 |
| Share issue costs | - | (17,370) |
| Share consolidation at 2.75:1(i) | (187,246,238) | - |
| Balance, December 31, 2017 | 106,997,850 | $ 36,591,973 |
| Balance, March 31, 2018 | 106,997,850 | $ 36,591,973 |

i. On December 22, 2017, as part of its acquisition of GAFC, Global Atomic issued new shares and consolidated its shares at a ratio of 2.75 to 1. $18,535,658 is net of $17,370 share issue costs.

## 12. Share Purchase Warrants

Share purchase warrant transactions during the three months ended March 31, 2018 and 2017 were as follows:

| | Three Months Ended March 31, 2018 | | | Three Months Ended March 31, 2017 | | |
|---|---|---|---|---|---|---|
| | Number | | Value | Number | | Value |
| Balance, beginning of period | 5,349,957 | $ | 614,263 | - | $ | - |
| Issued | - | | - | - | | - |
| Balance, end of period | 5,349,957 | $ | 614,263 | - | $ | - |

Using the Black-Scholes valuation method, the following assumptions were used to determine the value:

| | Expiring June 21, 2019 | Expiring December 21, 2019 |
|---|---|---|
| Assumed share price* | $0.12 | $0.12 |
| Exercise price* | $0.23 | $0.70 |
| Risk-free interest rate | 1.10% | 1.10% |
| Expected dividend yield | 0% | 0% |
| Stock price volatility* | 127% | 127% |
| Expected life of warrants in years | 1.5 | 2.0 |

*Assumed share price reflects Global Atomic's share price at the time of its acquisition of GAFC. Exercise price reflects the adjustment of the number of warrants issued to GAFC shareholders and the volatility measured at the standard deviation of continuously compounded share returns was based on statistical analysis of comparable companies' daily share prices over the last five years.

**(Expressed in Canadian Dollars)**

The following warrants were outstanding at March 31, 2018:

| Issue Date | Expiry Date | Outstanding | Exercise Price | Remaining Life (Years) |
|---|---|---|---|---|
| 22-Dec-17 | 21-Jun-19 | 2,453,977 | $0.64 | 1.25 |
| 22-Dec-17 | 21-Dec-19 | 321,532 | 2.88 | 1.75 |
| 22-Dec-17 | 21-Dec-19 | 2,574,448 | 1.92 | 1.75 |
| | | **5,349,957** | **$1.39** | **1.50** |

## 13. Stock Options

The following table reflects the continuity of stock options for the three months ended March 31, 2018 and 2017:

| | Number of stock options | Weighted average exercise price |
|---|---|---|
| Balance, December 31, 2016 | 11,300,000 | $ 0.13 |
| Balance, March 31, 2017 | 11,300,000 | $ 0.13 |
| Expired | (5,900,000) | $ 0.15 |
| Granted[(a)] | 8,750,000 | 0.10 |
| Consolidated at a ratio of 2.75 to 1 [(b)] | (9,004,544) | |
| Balance, December 31, 2017 | 5,145,456 | $ 0.275 |
| Balance, March 31, 2018 | 5,145,456 | $ 0.275 |

(a) On April 24, 2017, Global Atomic granted 8,750,000 options to directors and officers of the Corporation, exercisable at $0.10 per common share through April 23, 2022. These options vest immediately. Using the Black-Scholes valuation method, the options were valued at $650,000. The following assumptions were used to determine the value: expected dividend yield of 0%, risk-free interest rate of 1.03%, expected volatility of 127%, 2.2% forfeiture rate and an expected maturity of five years. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last five years. As a result, in 2017 a stock option expense of $650,000 was booked.

(b) On December 22, 2017, as a result of Global Atomic consolidating its outstanding shares at a ratio of 2.75 to 1, the number of options were adjusted down at a ratio of 2.75 to one and their exercise price was adjusted to $0.275.

The following table reflects the actual stock options issued and outstanding as of March 31, 2018:

| Expiry Date | Exercise Price | Weighted Average Remaining Contractual Life (years) | Number of Options Outstanding | Number of Options Vested (Exercisable) | Number of Options Unvested |
|---|---|---|---|---|---|
| July 7, 2019 | $ 0.275 | 1.27 | 1,963,637 | 1,963,637 | - |
| April 23, 2022 | 0.275 | 4.07 | 3,181,819 | 3,181,819 | - |
| | $ 0.275 | 3.00 | 5,145,456 | 5,145,456 | - |

**(Expressed in Canadian Dollars)**

## 14. Segmented Information

Significant information relating to the Corporation's reportable operating segments is summarized in the tables below.

The Corporation's total assets by reportable operating segment are as follows:

| Assets | | March 31, 2018 | | December 31, 2017 |
|---|---|---|---|---|
| Corporate and other | $ | 1,165,940 | $ | 2,293,300 |
| Turkey and Spain (at 49%) | | 14,251,351 | | 10,495,350 |
| Niger | | 29,144,221 | | 25,714,062 |
| | $ | 44,561,512 | $ | 38,502,712 |

The Corporation's consolidated statements of income by reportable operating segment are as follows:

| Three months ended March 31, 2018 | | (at 100%) Turkey and Spain | | (at 49%) Turkey and Spain | | Adjustments | | Niger | | Corporate and other | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenues | $ | 17,739,911 | $ | 8,692,556 | $ | (8,692,556) | $ | - | $ | 251,765 | $ | 251,765 |
| Treatment and transportation costs | | 1,279,813 | | 627,108 | | (627,108) | | - | | - | | - |
| Cost of sales | | 7,308,740 | | 3,581,283 | | (3,581,283) | | - | | - | | - |
| Income (loss) from operations | $ | 9,151,358 | $ | 4,484,165 | $ | (4,484,165) | $ | - | $ | 251,765 | $ | 251,765 |
| Share of net earnings from joint venture | $ | - | $ | - | $ | (3,973,582) | $ | - | $ | - | $ | (3,973,582) |
| Depreciation and amortization | | 129,234 | | 63,325 | | (63,325) | | - | | - | | - |
| General and administration | | 12,634 | | 6,191 | | (6,191) | | 8,939 | | 408,485 | | 417,424 |
| Management fees and sales commissions | | 513,806 | | 251,765 | | (251,765) | | - | | - | | - |
| Interest expense (income) | | 9,264 | | 4,539 | | (4,539) | | - | | 58,350 | | 58,350 |
| Other expense (income) | | (1,037,111) | | (508,184) | | 508,184 | | - | | 1,772 | | 1,772 |
| Tax expense | | 1,414,180 | | 692,947 | | (692,947) | | - | | - | | - |
| Net income (loss) | $ | 8,109,351 | $ | 3,973,582 | $ | - | $ | (8,939) | $ | (216,842) | $ | 3,747,801 |

| Three months ended March 31, 2017 | | (at 100%) Turkey and Spain | | (at 49%) Turkey and Spain | | Adjustments | | Niger | | Corporate and other | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenues | $ | 13,400,609 | $ | 6,566,298 | $ | (6,566,298) | $ | - | $ | 242,407 | $ | 242,407 |
| Treatment and transportation costs | | 2,089,178 | | 1,023,697 | | (1,023,697) | | - | | - | | - |
| Cost of sales | | 4,574,095 | | 2,241,307 | | (2,241,307) | | - | | - | | - |
| Income (loss) from operations | $ | 6,737,336 | $ | 3,301,294 | $ | (3,301,294) | $ | - | $ | 242,407 | $ | 242,407 |
| Share of net earnings from joint venture | $ | - | $ | - | $ | (2,310,418) | $ | - | $ | - | $ | (2,310,418) |
| Depreciation and amortization | | 138,946 | | 68,084 | | (68,084) | | - | | - | | - |
| General and administration | | 7,463 | | 3,657 | | (3,657) | | - | | 174,682 | | 174,682 |
| Management fees and sales commissions | | 494,708 | | 242,407 | | (242,407) | | - | | - | | - |
| Interest expense (income) | | (13,566) | | (6,647) | | 6,647 | | - | | (8,994) | | (8,994) |
| Other expense (income) | | (483,605) | | (236,968) | | 236,968 | | - | | 25,600 | | 25,600 |
| Tax expense | | 1,878,250 | | 920,343 | | (920,343) | | - | | - | | - |
| Net income (loss) | $ | 4,715,140 | $ | 2,310,418 | $ | - | $ | - | $ | 51,119 | $ | 2,361,537 |

**(Expressed in Canadian Dollars)**

## 15. Financial Instruments

Certain of the Corporation's financial assets and liabilities are measured at fair value and are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

As at March 31, 2018 and December 31, 2017, the Corporation did not have any assets or liabilities that were measured at fair value at Level 1 or Level 2.

## 16. Commitments and Contingent Liabilities

(a) Exploration permits and required exploration expenditure
Under the terms of its Mining Agreements with the Ministry of Mines of the Republic of Niger, the Corporation committed to incur certain exploration expenditures on its permits, before the permits expire. On January 29, 2016, the Republic of Niger Ministry of Mines approved the Corporation's renewal of Adrar Emoles 3 and 4 and Tin Negoran 1, 2, 3 and 4 Permits for a period of three years commencing the date of renewal. The permits require the following further exploration expenditures over the three-year period (Note 5).

| Exploration Permit | Expiry Date | Required Exploration Expenditure (US$) | Spent to Date | Remaining Commitment (US$) |
|---|---|---|---|---|
| Adrar Emoles 3 | January 28, 2019 | $ 5,293,750 | $ 3,805,653 | $ 1,488,097 |
| Adrar Emoles 4 | January 28, 2019 | 4,087,300 | 37,497 | 4,049,803 |
| Total Adrar Emoles | | 9,381,050 | 3,843,150 | 5,537,900 |
| Tin Negoran 1 | January 28, 2019 | $ 301,367 | $ 32,753 | $ 268,614 |
| Tin Negoran 2 | January 28, 2019 | 336,879 | 32,695 | 304,184 |
| Tin Negoran 3 | January 28, 2019 | 850,070 | 32,729 | 817,341 |
| Tin Negoran 4 | January 28, 2019 | 461,592 | 32,549 | 429,043 |
| Total Tin Negoran | | 1,949,908 | 130,726 | 1,819,182 |
| Total Permit Expenditure | | $ 11,330,958 | $ 3,973,876 | $ 7,357,082 |

The Corporation is focused on the Adrar Emoles 3 permit and expects to complete the exploration expenditure commitments prior to the permit expiry. The Corporation is unlikely to spend any significant amounts on the remaining five permits. The Corporation may reapply for these permits if they are not retained after January 2019.

(b) Office lease agreement
The Corporation has an office lease agreement. The agreement was signed on January 12, 2015 and is for a period of three years commencing on July 1, 2015 and expiring on June 30, 2018. In August 2017, the office lease agreement was extended for a further period of three years

**(Expressed in Canadian Dollars)**

commencing on July 1, 2018 and expiring on June 30, 2021. As of March 31, 2018, remaining commitments on the lease agreement are as follows:

| | |
|---|---|
| 2018 | $ 181,469 |
| 2019 | $ 241,958 |
| 2020 | $ 241,958 |
| 2021 | $ 120,979 |

Operating lease payments expensed in the three months ended March 31, 2018 were $25,052 (2017 - $14,609). Companies with a director or directors in common with the Corporation share the office space and reimburse the Corporation for a share of the rent.

## 17. Subsequent Events

(a) On April 5, 2018, Global Atomic granted 5,564,190 stock options to acquire common shares of Global Atomic to directors, management, consultants and employees. The stock options are exercisable at $0.25 for a period of five years from issuance.

(b) On April 27, 2018, the Turkish joint venture companies declared 47,285,193 TL ($14,814,451 using April 20, 2018 exchange rate) dividend. The dividend was distributed to Befesa and Global Atomic at 51% and 49%, respectively on May 10, 2018.