



## **MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018**

The following discussion and analysis of the operations, results, and financial position of Avidian Gold Corp. (“Avidian” or the “Corporation”) prepared as of November 27, 2018, should be read in conjunction with the Corporation’s audited consolidated financial statements and related notes attached hereto. The Corporation’s consolidated financial statements have been prepared in accordance with International Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The effective date of this report is November 27, 2018. All figures are presented in United States dollars unless otherwise indicated.

### **FORWARD-LOOKING STATEMENTS**

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as “plans”, “intends”, “anticipates”, “should”, “estimates”, “expects”, “believes”, “indicates”, “suggests” and similar expressions.

This MD&A contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Information concerning mineral resource estimates and the interpretation of drill results may also be considered as a forward-looking statement; as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Corporation’s expectations as of November 27, 2018.
- Readers are cautioned not to place undue reliance on these statements as the Corporation’s actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Corporation’s business, or if the Corporation’s estimates or assumptions prove inaccurate. Therefore, the Corporation cannot provide any assurance that forward-looking statements will materialize. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, possible variations in mineral resources, labour disputes, operating or capital costs; availability of sufficient financing to fund planned or further required work in a timely manner and on acceptable terms; failure of equipment or processes to operate as anticipated; and political, regulatory, environmental and other risks of the mining industry.

- Subject to applicable laws, the Corporation assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

For a description of material factors that could cause the Corporation's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties".

## **GENERAL**

Avidian Gold Corp., formerly Marching Moose Capital Corp. (“Avidian” or the “Corporation”) was incorporated by Certificate of Incorporation issued pursuant to the provisions of the *British Columbia Business Corporations Act* on September 24, 2013. The Corporation's principal business activity is mineral exploration. The registered head office of the Corporation is located at 390 Bay Street, Suite #806, Toronto, Ontario, M4H 2Y2. The Corporation was a Capital Pool Company (“CPC”) as defined pursuant to Policy 2.4 of the TSXV.

Pursuant to the terms of an amalgamation agreement dated on March 13, 2017 and amended on April 13, 2017, June 23, 2017, August 24, 2017, and November 17, 2017 between Marching Moose Capital Corp., Avidian Gold Incorporated (AGI), and MMC Amalco Ltd. (Subco), a wholly owned subsidiary of Marching Moose Capital Corp., AGI and Subco amalgamated under the Business Corporations Act (British Columbia) to form a new company and will carry on the business previously carried on by AGI as a subsidiary of the Corporation. As compensation, each holder of AGI common shares received one common share of the Corporation for every 2.17 AGI common shares held at the date of the completion of the transaction.

On December 1, 2017, the Corporation completed its Qualifying Transaction (“Transaction”). Upon closing, Avidian Gold Incorporated shareholders held approximately 97.1% of the outstanding shares of the Corporation. In substance, the Transaction involves Avidian Gold Incorporated shareholders obtaining control of the Corporation and accordingly the Transaction is considered to be a reverse takeover transaction (“RTO”) with the Corporation. For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 Business Combinations (“IFRS 3”) since the Corporation, prior to the acquisition did not constitute a business. Upon completion of the Amalgamation, there were 49,358,058 Common Shares issued and outstanding. The transaction is accounted for in accordance with IFRS 2 Share-based Payments whereby Avidian Gold Incorporated is deemed to have issued shares and share purchase warrants in exchange for the net assets of the Corporation together with its listing status at the fair value of the consideration received by Avidian Gold Incorporated. The consolidated financial statements of the combined entities are issued under the legal parent, Avidian Gold Corp. (formerly Marching Moose Capital Corp.), but are considered a continuation of the financial statements of the legal subsidiary, Avidian Gold Incorporated. Since Avidian Gold Incorporated is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values. Additional information on the Transaction is disclosed in Note 3.

Additional information related to the Corporation is available on its website at [www.avidiangold.com](http://www.avidiangold.com).

## **DESCRIPTION OF BUSINESS**

Avidian is in the business of acquiring and exploring gold projects. As of September 30, 2018, the Corporation has acquired the rights to explore four gold properties in the United States of America and has acquired all the issued and outstanding shares of High Tide Resources Inc. which holds the right to explore a volcanogenic massive sulfide (“VMS”) property in Newfoundland, Canada.

Avidian Gold Corp. operates in two jurisdictions: United States and Canada. In the United States, it is engaged, through its 100% interest in Avidian Gold US Inc. in the acquisition and exploration of resource properties.

## **HIGHLIGHTS**

Avidian holds properties in Nevada and Alaska, two major gold producing areas. To date the exploration focus has been primarily on the more advanced Golden Zone property in Alaska.

### **Alaska Properties**

The Golden Zone and Amanita properties lie within the prolific Tintina Gold Belt that hosts multi-million ounce gold deposits such as Donlin Creek (+39 Moz measured plus indicated gold resource), the producing Fort Knox Gold Mine (+7 Moz produced and contains 1.5 Moz proven plus probable reserves) and Dublin Gulch (4.8 Moz indicated gold resource and 1.5 Moz inferred gold resource). Both properties have well documented gold showings that trend over several kilometers in length, are easily accessible all year round by road and are close to major infrastructure.

The Golden Zone property is located 320 km north of Anchorage, Alaska, and approximately 16 km west of the main transportation route between Anchorage and Fairbanks. This 10,550 (105.5 sq km) property is comprised of a 1,184 hectare (11.84 sq km) Uplands Mining Lease (with 32 years remaining on the lease) surrounded by 9,356 hectares (93.6 sq km) of State of Alaska claims and a non-contiguous 16 hectare Mill Site Lease. The property hosts a number of high grade gold surface showings along an 15 km long well mineralized trend hosting grades of 4 g/t Au to > 25 g/t Au plus Ag ± base metals, with significant drill and trench intersections.

The property also hosts the Breccia Pipe Deposit, which contains a NI 43-101 Indicated gold resource of 267,400 ounces (4,187,000 tonnes at 1.99 g/t Au) plus an Inferred gold resource of 35,900 ounces (1,353,000 tonnes at 0.83 g/t Au). The deposit is exposed on surface and remains open at depth and along strike.

The Amanita property is comprised of State of Alaska claims totaling 1,460 hectares (14.6 sq km) and is located 15 km northeast of Fairbanks, Alaska, and approximately 5 km southwest and contiguous to the Fort Knox open-pit gold mine. Fort Knox is currently producing approximately 380,000 oz of gold per annum at a grade of less than 0.5 g/t Au. The Fairbanks mining district has historically produced in excess of 20 Moz of gold. Mineralization at Fort Knox is contained within a northeast/southwest structural corridor that trends southwest directly onto the Amanita property. This corridor at Amanita is approximately 1.6 km long and hosts multiple historical drill intersections >1.5 g/t Au, such as 13.7 m at 3.0 g/t Au and 4.5 m at 11.4 g/t Au, with visible gold noted in some of the drill holes as well as in selected float samples. This corridor has been sparsely drill tested, with the drill intersections all occurring at a depth of less than 100 m.

### **Nevada Properties**

The 2,000 hectare (20 sq km) Jungo Property is situated within the Humboldt mineral trend, Nevada, that hosts the multi-million ounce Hycroft and Sleeper gold deposits. Hycroft hosts 10.5 Moz of proven plus probable reserves plus 11 Moz of measured plus indicated resource. Sleeper has produced +1.6 Moz and contains a resource of 3.1 Moz of measured plus indicated and 1.5 Moz inferred. The Jungo property lies between these two deposits.

Historical work on the property has outlined a 5 km long gold-copper system that has been sparsely tested by geophysics, trenching and drilling. Historical drilling along the 5 km strike length includes:

1.52 m at 2.5 g/t Au, 71.6 g/t Ag and 0.67 % Cu,  
7.62 m at 0.90 g/t Au, 28.9 g/t Ag and 1.73% Cu, and  
12.19 m at 1.29 g/t Au, 28.6 g/t Ag and 0.72% Cu.

Historical trenching along the 5 km strike length includes: 6.10 m at 2.12 g/t Au, 6.10 m at 1.21 g/t Au, and 3.05 m at 2.36 g/t Au.

Also in Nevada, within the Walker Lane Trend, is the Dome Hill property which covers an area of 600 hectares (6 sq km). More than 5.8 km of high-sulphidation, quartz-alunite veins containing gold values up to 32 g/t Au have been mapped on the property and host most of the old workings. Mineralization is hosted in Tertiary volcanic rocks and is thought to be related to a deeper, sub-volcanic pluton that could generate a large, porphyry-style gold-copper deposit. Limited historical drilling intersected 4.6 m at 4.7 g/t Au and 1.5 m at 9.7 g/t Au. The bottom of the holes also contained up to 0.4% copper which supports the theory of a deeper porphyry system. Dome Hill is in the same geological district as the Bodie (1.5 Moz historical production) and Aurora (1.9 Moz historical production) gold deposits.

### **GOLDEN ZONE PROPERTY UPDATE**

During the period of July 1, 2018 to September 30, 2018, Avidian carried out work dominantly on the Golden Zone property. The work completed on the property during this reporting period consisted of excavating 11 trenches which were mapping and from which 601 rock chip samples were collected, prospecting with 330 samples collected and submitted for analysis, along with 1,827 m of core drilling from 6 holes where 1,600 samples were submitted for analysis. In addition, Avidian completed 46 line km of a CSAMT ground geophysical program.

Avidian plans to advance the Golden Zone Property through the fourth quarter with the completion of one to two more core holes followed by a compilation program of all of the 2018 field results. This will require a modest budget of less than \$300,000.

### **RESULTS OF OPERATIONS**

The Unaudited Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB").

<b>Results of operations</b>	<b>Three Months Ended September 30 2018</b>	<b>Three Months Ended September 30 2017</b>
Net loss	<b>2,775,569</b>	1,347,069
Loss per weighted average share	<b>0.05</b>	0.03

During the three months ended September 30, 2018, the Corporation recorded a net loss of \$2,775,569 compared to a net loss of \$1,347,069 during the three months ended September 30, 2017. The increased loss for the three months ended September 30, 2018 is the result of share-based compensation recognized in the amount of \$581,070 compared to \$nil in prior year; a loss on warrant revaluation of \$323,251 compared to a gain of \$11,972 in the comparative period; and a loss on revaluation of the conversion feature of \$173,969 compared to a gain of \$16,635 in the comparative period.

### Exploration Activities

During the three months ended September 30, 2018, a total of \$1,372,084 (2017 - \$1,273,796) was incurred in exploration and evaluation expenditures, with the majority spent on the Golden Zone project.

The following summarizes the major components of exploration and evaluation expenses by project:

	Three Month Period ended September 30 2018	Three Month Period ended September 30 2017
<b>Golden Zone</b>		
Acquisition and holding costs	\$ 33,283	\$ 12,435
Assays	76,189	101,773
Camp supplies	160,750	135,222
Drilling	377,508	363,651
Equipment rental and fuel	136,729	115,604
Geophysics	113,795	115,628
Geological consulting fees	370,955	327,607
	<b>\$ 1,269,209</b>	<b>\$ 1,171,920</b>
<b>Amanita</b>		
Acquisition and holding costs	\$ 44,960	\$ 45,753
Geological consulting fees	2,485	-
	<b>\$ 47,445</b>	<b>\$ 45,753</b>
<b>Dome Hill</b>		
Acquisition and holding costs	\$ 14,375	\$ 16,874
	<b>\$ 14,375</b>	<b>\$ 16,874</b>
<b>Jungo (Formerly known as Shawnee Creek)</b>		
Acquisition and holding costs	\$ 36,197	\$ 39,249
	<b>\$ 36,197</b>	<b>\$ 39,249</b>
<b>Other Properties</b>		
Geological consulting fees	\$ 4,858	\$ -
<b>TOTAL EXPLORATION AND EVALUATION EXPENDITURES</b>	<b>\$ 1,372,084</b>	<b>\$ 1,273,796</b>

## QUARTERLY INFORMATION

The following are selected financial data from the Corporation's unaudited financial statements for the last eight quarters ending with the most recently completed quarter, being the three months ended September 30, 2018.

	2019	2018				2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss	2,775,569	226,646	557,827	1,227,938	1,347,069	945,609	308,075	451,979
Net loss per share - basic and fully diluted	0.05	0.01	0.01	0.03	0.01	0.03	0.01	0.01

## FINANCIAL CONDITION

The Corporation's financial position at September 30, 2018 and June 30, 2018 is summarized as follows:

Financial Position	September 30, 2018	June 30, 2018
Current assets	<b>373,878</b>	2,022,699
Non-current assets	<b>644,680</b>	652,431
<b>Total assets</b>	<b>1,018,558</b>	2,675,130
Current liabilities	<b>1,679,341</b>	1,545,787
Non-current liabilities	<b>1,367,153</b>	1,023,168
<b>Total liabilities</b>	<b>3,046,494</b>	2,568,955
Shareholders' equity	<b>(2,027,936)</b>	106,175
<b>Total liabilities and shareholders' equity</b>	<b>1,018,558</b>	2,675,130

For the three month period ended September 30, 2018, the Corporation's cash position decreased to \$270,447 from \$1,921,582 at June 30, 2018. Cash was used to fund exploration and general corporate expenses. Remaining current assets largely comprise of HST receivable.

Non-current assets comprise property and equipment and mineral exploration interests. The balance had no significant variance for the three month period ended September 30, 2018.

The increase in total liabilities reflects the revaluation of the warrant liability and convertible debenture offset in part by a decrease in accounts payable.

The change in shareholders' equity relates to the net loss incurred during the three months ended September 30, 2018.

## LIQUIDITY

The Corporation finances its activities by raising capital in the equity markets and has no regular source of revenue or cash flow. The Corporation is dependent upon its ability to obtain the necessary equity financing to generate sufficient amounts of cash and cash equivalents, in the short and long term to meet its obligations as they become due and finance its exploration programs.

The Corporation's property interests are at an early stage of exploration and, in common with many exploration companies, it raises financing for its exploration and appraisal activities in discrete tranches. The existing funds may not be sufficient to explore potential gold project acquisitions and in due course,

further funding could be required. In the event that the Corporation is unable to secure further financing it may not be able to complete the development of a gold project.

The Corporation's ability to continue as a going concern is dependent on its ability to obtain additional sources of financing to successfully explore, evaluate and develop gold projects and ultimately, to achieve profitable operations. The success of these endeavours cannot be predicted at this time. The consolidated financial statements do not reflect adjustments to the carrying values and classification of assets and liabilities that might be necessary should the Corporation be unable to continue as a going concern, and such adjustments may be material.

Net cash used for operating activities for the three months ended September 30, 2018 was \$1,711,523 compared to net cash used for operating activities of \$1,366,914 for the three months ended September 30, 2017.

Cash outflows from investing activities for the three months ended September 30, 2018 was \$nil compared to the investing activities of \$36,700 for the three months ended September 30, 2017.

Cash flows from financing activities three months ended September 30, 2018 was \$60,388 compared to the financing activities of \$1,128,507 three months ended September 30, 2017.

## **ESTIMATED WORKING CAPITAL REQUIREMENTS**

The Corporation's working capital requirements are discussed in detail in the Results of Operations and Financial Condition sections. Fixed costs to maintain operations, pay taxes and upkeep are about \$180,000 per annum. Corporate and general costs to maintain the requirements of a listed company are estimated to be about \$75,000. Therefore, minimum working capital requirements are estimated at \$255,000 per year.

2018 Golden Zone Field Program	\$	300,000
Corporate & General		255,000
Total	\$	555,000

As at September 30, 2018, the Corporation's cash was \$270,447. The budget to complete the planned work program on the Golden Zone project is an estimate and it assumes availability of sufficient financing and that it and the corresponding portion of the G&A can be scaled back by the management in the event that the required financing would not be obtained. The Corporation has arranged a CDN\$1,000,000 non-brokered private placement to fund its planned activities. The closing of the offering is expected to occur in December 2018.

## **RELATED PARTY TRANSACTIONS**

The remuneration of key management personnel is comprised of fees paid to officers for the three months ended September 30, 2018 totaling \$20,328 (2017 - \$nil) and share-based compensation of \$35,601 (2017 - \$nil)

## **ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES**

### **a) Accounting Policies**

The Corporation prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee.

The significant accounting policies of the Corporation are summarized in Note 2 to the Corporation's Financial Statements. Also included therein is a discussion of new accounting standards and amendments issued but not yet adopted. As described therein, the Corporation does not expect the adoption of such new standards and amendments to have any material impact on its Financial Statements.

b) **Critical Accounting Estimates**

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires the Corporation's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgements, estimates and assumptions in determining carrying values include, but are not limited to:

Functional currency determination

The functional currency for the Corporation and its subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency is conducted through an analysis of the consideration factors identified in IAS 21 The Effects of Changes in Foreign Exchange Rates and may involve certain judgments to determine the primary economic environment. The Corporation reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment. Significant changes to those underlying factors could cause a change to the functional currency.

Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence of significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Compound financial instruments (debentures)

Compound financial instruments issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

Under IFRS, when the currency of the conversion price of the conversion option is different than the functional currency of the legal entity in which they were issued, the conversion option component is accounted for as a derivative liability.

For the Corporation's conversion option component that have an exercise price denominated in Canadian dollars, the conversion option component is accounted for as a derivative liability which is measured at fair value using the Black-Scholes valuation model. The liability component of a compound financial instrument is recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the conversion option component.

Any directly attributable transaction costs are allocated to the liability and conversion option components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The conversion option component of a compound

financial instrument is subsequently revalued every reporting period using market-based valuation techniques. Gains and losses from changes in fair value are recorded in the consolidated statement of operations and comprehensive loss.

#### Warrant liability

Under IFRS, when the currency of the exercise price of non-share based payment warrants is different than the functional currency of the legal entity in which they were issued, the warrants are accounted for as a derivative warrant liability. For the Corporation's warrants that have an exercise price denominated in Canadian dollars, the issued Canadian dollar warrants are accounted for as a derivative warrant liability which is measured at fair value each reporting period using the Black-Scholes valuation model. Gains and losses from changes in fair value are recorded in the consolidated statement of operations and comprehensive loss.

The Corporation measures the initial warrant liability and subsequent revaluations of the warrant liability by reference to the fair value of the warrants at the date at which they were granted and subsequently revalues them at each reporting date. Estimating fair value for these warrants requires management to determine the most appropriate valuation model. This estimate also requires management to make assumptions about the most appropriate inputs to the valuation model including estimated fair value of the Corporation's common shares, the expected life of the warrants, volatility and dividend yield.

#### Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share capital note.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

#### Impairment of mineral exploration interests

While assessing whether any indications of impairment exist for mineral exploration interests, consideration is given to both external and internal sources of information. Information the Corporation considers includes changes in the market, economic and legal environment in which the Corporation operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets.

Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Corporation's mining properties, costs to sell the properties and the appropriate discount rate.

Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral

resources and/or adverse current economics can result in a write-down of the carrying amounts of the Corporation's exploration interests.

#### Income, value added, withholding and other taxes

The Corporation is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Corporation's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

The determination of the Corporation's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Corporation's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

## **FINANCIAL INSTRUMENTS**

#### Fair Value of Financial Instruments

The Corporation's financial assets are classified in the following categories: at fair value through profit or loss or as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. As at September 30, 2018 and June 30, 2018, the Corporation's financial assets are comprised of cash, and accounts receivable.

Financial assets at fair value through profit are carried at fair value. Gains and losses are reflected in the consolidated statements of loss and comprehensive loss.

Cash, and accounts receivable are classified as loans and receivables and are recognized initially at fair value and subsequently measured at amortized cost.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. The Corporation assesses at each financial reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

The Corporation's financial liabilities consist of trade payables, accrued liabilities, convertible debenture and conversion option component of convertible debenture. Trade payables, accrued liabilities and convertible debenture are classified as other financial liabilities and are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expired. The Corporation's conversion option component of the convertible debenture is classified as fair value through profit and loss and are recognized initially at fair value and subsequently re-measured at fair value at each reporting date.

#### Financial Risk Factors

The Corporation's risk exposures and the impact on the Corporation's financial instruments are summarized below:

### *Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Corporation's credit risk is attributable to cash. Cash is held with a reputable financial institution, from which management believes the risk of loss to be remote. The Corporation's believes it has no significant credit risk.

### *Liquidity risk*

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

#### (a) Interest rate risk

The Corporation has cash balances and no interest-bearing debt. The Corporation is satisfied with the credit ratings of its banks.

#### (b) Foreign currency risk

The Corporation is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in US Dollars (US).

#### (c) Price risk

The Corporation is exposed to price risk with respect to gold prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to gold price movements and volatilities. The Corporation closely monitors gold prices to determine the appropriate course of action to be taken by the Corporation.

### **Outstanding Share Capital as at September 30, 2018**

**Authorized** Unlimited number of no par value common shares

#### **Issued**

Common shares	56,160,756
Stock options	4,483,125
Warrants	6,832,483
Fully diluted shares	67,476,364

### **SUBSEQUENT EVENTS**

The Corporation has proposed a non-brokered financing will be conducted by way of a private placement of units at 35 cents per unit for gross proceeds of up to CAD\$1-million. Each unit will comprise one common share of the company and one-half of a transferable common share purchase warrant. Each full warrant will entitle the holder thereof to acquire one common share at 50 cents for a period of 24 months from the date of closing of the offering.

A director of the Corporation has been granted 150,000 options which can be exercised to purchase a common share of the company at 60 cents for a period of five years. The options will vest over a three-year period.

## **COMMITMENTS AND CONTINGENCIES**

The Corporation's exploration activities are subject to various federal, provincial, state and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Corporation conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations.

## **RISKS AND UNCERTAINTIES**

The operations of the Corporation's properties will be subject to various laws and regulations relating to the environment, prospecting, development, production, waste disposal and other matters. Amendments to current laws and regulations governing activities related to the Corporation's mineral properties may have material adverse impact on operations.

The Corporation will need additional funding to complete its short and long term objectives. The ability of the Corporation to fund its operations in the future will depend on the prevailing market conditions, as well as the business performance of the Corporation. There can be no assurances that the Corporation will be successful in its efforts to raise additional financing on terms satisfactory to the Corporation. If adequate funds are not available or not available on acceptable terms, the Corporation may not be able to take advantage of opportunities, to acquire new projects or to otherwise respond to competitive pressures.