

*Condensed Interim Consolidated Financial Statements*

**AVIDIAN GOLD CORP.**

*For the three months ended September 30, 2018 and 2017*

*(Expressed in US dollars)*

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

The accompanying unaudited interim consolidated financial statements of Avidian Gold Corp. (the "Corporation" or "Avidian") for the three months ended September 30, 2018 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

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.

November 27, 2018

"Nick Tintor"  
Nick Tintor  
President and CEO

"Victor H. Bradley"  
Victor H. Bradley, CPA, CA  
Interim Chief Financial Officer

# **AVIDIAN GOLD CORP.**

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**AVIDIAN GOLD CORP.**  
**Condensed Interim Consolidated Statements of Financial Position**  
(Expressed in US Dollars - Unaudited)

	As at September 30, 2018	As at June 30, 2018
	\$	\$
<b>Assets</b>		
Current		
Cash	270,447	1,921,582
Amounts receivable and prepaids	103,431	101,117
Total current assets	373,878	2,022,699
Non-current liabilities		
Equipment (Note 7)	146,867	154,618
Mineral exploration interests (Note 6)	497,813	497,813
Total assets	1,018,558	2,675,130
<b>Liabilities</b>		
Current		
Trade payables and accrued liabilities	458,188	527,236
Convertible debenture (Note 13)	1,221,153	1,018,551
Total current liabilities	1,679,341	1,545,787
Non-current liabilities		
Warrant liability (Note 9)	1,367,153	1,023,168
Total liabilities	3,046,494	2,568,955
<b>Shareholders' Equity</b>		
Issued capital (Note 8(b))	9,399,911	9,302,284
Share-based payment reserve (Note 8(c))	647,626	103,795
Deficit	(12,075,473)	(9,299,904)
Total shareholders' equity	(2,027,936)	106,175
Total liabilities and shareholders' equity	1,018,558	2,675,130

**DESCRIPTION OF BUSINESS AND GOING CONCERN** (Note 1)  
**COMMITMENTS AND CONTINGENCIES** (Notes 6, 14 and 15)  
**SUBSEQUENT EVENTS** (Note 17)

APPROVED BY THE BOARD OF DIRECTORS

Original signed by David C. Anderson, Director

Original signed by Dino Titaro, Director

See accompanying notes to the condensed interim consolidated financial statements

**AVIDIAN GOLD CORP.**  
**Condensed Interim Consolidated Statements of Operations and**  
**Comprehensive Loss**  
(Expressed in US Dollars - Unaudited)

	<b>For the three months ended September 30, 2018</b>	<b>For the three months ended September 30, 2017</b>
	<u>\$</u>	<u>\$</u>
<b>Operating Expenses</b>		
Exploration and evaluation expenditures (Note 14)	1,372,084	1,273,796
General and administrative (Note 12)	279,275	48,788
Foreign exchange losses	32,086	36,192
Convertible debenture interest (Note 13)	4,519	4,354
Accretion (Note 13)	9,315	12,546
Share-based compensation (Note 8(c))	581,070	-
Unrealized loss (gain) on warrant revaluation (Note 9)	323,251	(11,972)
Unrealized loss (gain) on conversion feature (Note 13)	173,969	(16,635)
<b>Net loss and comprehensive loss for the period</b>	<b>2,775,569</b>	<b>1,347,069</b>
Net loss per share - basic and diluted (Note 10)	<b>0.05</b>	<b>0.03</b>
Weighted average number of shares outstanding - basic and diluted (Note 10)	<b>56,043,473</b>	<b>46,769,750</b>

See accompanying notes to the condensed interim consolidated financial statements

## AVIDIAN GOLD CORP.

### Condensed Interim Consolidated Statements of Change in Shareholders' Equity

(Expressed in US Dollars - unaudited)

	Number of shares	Share capital	Share-Based Payment Reserve	Deficit	Shareholders' Equity
		\$	\$	\$	\$
<b>Balance June 30, 2017</b>	<b>44,555,085</b>	<b>6,210,598</b>	-	<b>(5,940,424)</b>	<b>270,174</b>
Net loss and comprehensive loss for the period	-	-	-	(2,775,569)	(2,775,569)
Private placement, net of issue costs (Note 8(b))	3,392,857	1,128,507	-	-	1,128,507
Value of warrants issued under private placement (Note 9)	-	(266,308)	-	-	(266,308)
<b>Balance September 30, 2017</b>	<b>47,947,942</b>	<b>7,072,797</b>	-	<b>(8,715,993)</b>	<b>(1,643,196)</b>
Net loss and comprehensive loss for the period	-	-	-	(583,911)	(583,911)
Private placement, net of issue costs (Note 8(b))	6,465,000	2,289,858	33,178	-	2,323,036
Value of warrants issued under private placement (Note 9)	-	(507,557)	-	-	(507,557)
Share-based compensation (Note 8(c))	-	-	32,714	-	32,714
Shares and options issued for reverse acquisition (Note 3)	1,410,001	372,186	37,903	-	410,089
Shares for property acquisition (Note 14)	207,813	75,000	-	-	75,000
<b>Balance June 30, 2018</b>	<b>56,030,756</b>	<b>9,302,284</b>	<b>103,795</b>	<b>(9,299,904)</b>	<b>106,175</b>
Net loss and comprehensive loss for the period	-	-	-	(2,775,569)	(2,775,569)
Options exercised (Note 8(c))	130,000	97,627	(37,239)	-	60,388
Share-based compensation (Note 8(c))	-	-	581,070	-	581,070
<b>Balance September 30, 2018</b>	<b>56,160,756</b>	<b>9,399,911</b>	<b>647,626</b>	<b>(12,075,473)</b>	<b>(2,027,936)</b>

See accompanying notes to the condensed interim consolidated financial statements

# AVIDIAN GOLD CORP.

## Condensed Interim Consolidated Statements of Cash Flows

(Expressed in US Dollars - unaudited)

	For the three months ended September 30, 2018	For the three months ended September 30, 2017
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(2,775,569)	(1,347,069)
Items not involving cash:		
Amortization (Note 7)	7,747	15,118
Accretion (Note 13)	9,315	12,546
Unrealized foreign exchange loss	40,055	45,102
Unrealized loss (gain) on warrant revaluation	323,251	(11,972)
Unrealized loss (gain) on conversion feature	173,969	(16,635)
Share-based compensation	581,070	-
	<b>(1,640,162)</b>	<b>(1,302,910)</b>
Changes in non-cash working capital		
(Increase) decrease in amounts receivable and prepaids	(2,313)	160,457
Decrease in trade payables and accrued liabilities	(69,048)	(224,461)
Change in non-cash operating working capital	<b>(71,361)</b>	<b>(64,004)</b>
Net cash flows from operating activities	<b>(1,711,523)</b>	<b>(1,366,914)</b>
<b>Investing activities</b>		
Purchase of equipment	-	(36,700)
Net cash flows from investing activities	-	(36,700)
<b>Financing activities</b>		
Proceeds from issuance of shares	-	1,167,045
Share issue costs	-	(38,538)
Exercise of stock options	60,388	-
Net cash flows from financing activities	<b>60,388</b>	<b>1,128,507</b>
Decrease in cash	<b>(1,651,135)</b>	<b>(275,107)</b>
Cash, beginning of period	<b>1,921,582</b>	<b>856,818</b>
<b>Cash, end of period</b>	<b>270,447</b>	<b>581,711</b>

See accompanying notes to the condensed interim consolidated financial statements

**AVIDIAN GOLD CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the three months ended September 30, 2018 and 2017**  
**(Expressed in US dollars – except where otherwise indicated)**

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**1. DESCRIPTION OF BUSINESS AND GOING CONCERN**

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.

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.

The condensed interim consolidated financial statements of the Corporation for the three months ended September 30, 2018 were reviewed, approved and authorized for issue by the Board of Directors on November 27, 2018. Although the Corporation has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Corporation’s title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Corporation’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and currency exchange fluctuations and restrictions.

**AVIDIAN GOLD CORP.**  
**Notes to the Consolidated Financial Statements**  
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**1. DESCRIPTION OF BUSINESS AND GOING CONCERN (continued)**

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 Corporation has incurred a loss for the three month period ended September 30, 2018 of \$2,775,569 and has an accumulated deficit of \$12,075,473. Management believes it has sufficient working capital to support planned operations for the next 12 months. Although the Corporation has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future, or available under terms acceptable to the Corporation. In the event that the Corporation is unable to secure further financing it may not be able to complete the development of a gold, copper and other mineral projects.

These condensed interim consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Corporation will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. 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.

**2. SIGNIFICANT ACCOUNTING POLICIES**

*Statement of compliance*

The condensed interim consolidated financial statements of the Corporation have been prepared in accordance with the International Accounting Standards ("IAS") 34, Interim Financial Reporting issued by the International Accounting Standard Board ("IASB"). These condensed interim consolidated financial statements have been prepared in accordance with the accounting policies described in Note 2 of the Corporation's annual consolidated financial statements as at and for the years ended June 30, 2018 and 2017. Accordingly, these condensed interim consolidated financial statements as at and for the three month period ended September 30, 2018 and 2017 should be read together with the annual consolidated financial statements as at and for the years ended June 30, 2018 and 2017.

*Critical accounting judgements and estimation uncertainties*

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.

**AVIDIAN GOLD CORP.**  
**Notes to the Consolidated Financial Statements**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Critical accounting judgements and estimation uncertainties (continued)*

The areas which require management to make significant judgments, 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.

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty. Specifically the fair value of the conversion option component of the convertible debenture and warrant liability have significant measurement uncertainty. See Notes 9 and 13.

Share-based payments

Management is required to make certain estimates when determining the fair value of the share-based payments. These estimates affect the amount recognized as share-based compensation in the consolidated financial statements, and are based on expected volatility and the expected lives of the underlying stock options.

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.

**AVIDIAN GOLD CORP.**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Impairment of mineral exploration interests (continued)

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.

Contingencies

See Note 15.

*Cash*

Cash in the consolidated statement of financial position comprises cash at banks.

*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 June 30, 2018 and 2017, the Corporation's financial assets are comprised of cash, accounts receivable, and reclamation bond 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.

**AVIDIAN GOLD CORP.**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Financial instruments (continued)*

Cash, accounts receivable, and reclamation bond 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.

*Exploration and evaluation expenditures*

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Exploration and evaluation expenditures are expensed as incurred except for expenditures associated with the acquisition of mineral exploration interests through a business combination, which are capitalized as mineral exploration interests.

*Equipment*

Equipment is carried at cost, less accumulated amortization and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Amortization is recognized based on the cost of an item of equipment, over its estimated useful life. Amortization is calculated using the declining balance method at 20% per year.

An asset's residual value, useful life and amortization method are reviewed, and adjusted if appropriate, at each financial reporting date.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of operations and comprehensive loss.

**AVIDIAN GOLD CORP.**  
**Notes to the Consolidated Financial Statements**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Impairment of non-financial assets*

At each financial position reporting date the carrying amounts of the Corporation's non-financial assets are reviewed to determine whether there is an indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss in the consolidated statements of operations and comprehensive loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

At the end of each reporting date, the Corporation assesses whether there is any indication that previously recognized impairment losses no longer exist. If such an indication exists, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined net of amortization or depreciation, had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss in the consolidated statements of operations and comprehensive loss.

*Provisions*

A provision is recognized in the consolidated statement of financial position when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Corporation from such contracts are lower than the unavoidable cost of meeting its obligations under the contracts.

*Decommissioning, restoration and similar liabilities*

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

**AVIDIAN GOLD CORP.**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Decommissioning, restoration and similar liabilities (continued)*

These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Corporation has recorded a provision for \$nil of restoration, rehabilitation and environmental costs as at September 30, 2018 (June 30, 2018 - \$nil).

*Estimation of decommissioning and restoration costs and the timing of expenditure*

The cost estimates are updated annually during the life of a project to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Corporation's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

*Income taxes*

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in "other comprehensive income", in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to taxes payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

To the extent that the Corporation does not consider it probable that a deferred tax asset will be recovered, it does not recognize the asset.

**AVIDIAN GOLD CORP.**  
**Notes to the Consolidated Financial Statements**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Loss per share*

The Corporation presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

*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.

*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.

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Compound financial instruments (debentures) (continued)*

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.

*Segment reporting*

The Corporation operates in a single reportable operating segment, the acquisition, exploration and development of gold projects.

*Issued capital*

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

*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.

**3. REVERSE TAKEOVER**

On December 1, 2017, Marching Moose Capital Corp. completed its Qualifying Transaction ("Transaction"), 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., MMC Amalco Ltd., and Avidian Gold Incorporated. The former shareholders of Avidian Gold Incorporated received a total of 47,948,057 or 97.1% of the post consolidated common shares of Marching Moose Capital Corp. for all the outstanding shares of Avidian Gold Corp.

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**3. REVERSE TAKEOVER (continued)**

The Transaction was a reverse takeover of Marching Moose Capital Corp. and has been accounted for under IFRS 2, Share-based payment. The value in excess of the net identifiable assets or obligations of the Corporation acquired on closing is expensed in the consolidated statement of comprehensive loss as a listing fee expense for the year ended June 30, 2018.

The following represents management's estimate of fair value of share-based consideration and net assets acquired as a result of this Qualifying Transaction.

Value of consideration	
Shares	\$ 372,186
Options	37,903
	<u>410,089</u>
Net assets acquired	
Cash	\$ 9,450
Amounts receivable and prepaids	6,154
Trade payables and accrued liabilities	(9,167)
	<u>6,437</u>
Unidentified asset acquired	
Public listing expense	403,652
Total identifiable assets acquired and public listing expense	<u>\$ 410,089</u>

The corporation incurred \$184,790 in legal fees in connection with the RTO transaction.

**4. CAPITAL MANAGEMENT**

When managing capital, the Corporation's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of gold resource assets.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management team to sustain the future development of the business. The Corporation considers its capital to be equity, which comprises issued capital, share-based payment reserve and deficit, which at September 30, 2018, totaled \$(2,027,936).

The Corporation invests all capital not required for its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term guaranteed deposits, all held with select major Canadian financial institutions.

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**4. CAPITAL MANAGEMENT (continued)**

The Corporation is currently attempting to identify an economic gold resource and as such, the Corporation is dependent on external financing to fund its activities. In order to carry out the planned acquisitions and exploration, as well as pay for administrative costs, the Corporation will spend its existing working capital and raise additional amounts as needed.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

- a. maintaining a liquidity cushion in order to address any potential disruptions or industry downturns;
- b. minimizing discretionary disbursements; and
- c. exploring alternative sources of liquidity.

In light of the above, the Corporation will continue to assess new properties if the Corporation believes there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is appropriate.

There were no changes in the Corporation's approach to capital management during the period ended September 30, 2018. The Corporation is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of September 30, 2018, the Corporation believes it is compliant with the policies of the TSXV.

**5. FINANCIAL RISK FACTORS**

The Corporation's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (specifically commodity price risk). Risk management is carried out by the Corporation's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

*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.

Included in amounts receivable is sales tax receivable from government authorities in Canada. Amounts receivable are in good standing as of September 30, 2018 and June 30, 2018. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is minimal.

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**5. FINANCIAL RISK FACTORS (continued)**

*Liquidity risk*

Liquidity risk is the risk that the Corporation will not have sufficient cash resources to meet its financial obligations as they become due. The Corporation's liquidity and operating results may be adversely affected if the Corporation's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Corporation.

The Corporation generates cash flow primarily from its financing activities. As at September 30, 2018, the Corporation had cash of \$270,447 to settle current liabilities of \$1,679,341. The Corporation regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance and liquidity. Of the current liabilities, only the accounts payable balance of \$458,188 will be settled with cash. See Note 13 for details on the convertible debt.

All of the Corporation's current financial liabilities, except for the convertible debenture, as at September 30, 2018 have contractual maturities of less than 30 days and are subject to normal trade terms.

*Market risk*

Interest rate risk

The Corporation has cash and cash equivalent balances subject to fluctuations in the prime rate. The Corporation's current policy is to invest excess cash in money market funds traded by its banking institutions. The Corporation periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management believes that interest rate risk is remote as investments are short-term, and the Corporation currently does not carry interest bearing debt at floating rates.

Foreign currency risk

The Corporation's functional and reporting currency is the US dollar and major purchases are transacted in US dollars. As at September 30, 2018, the Corporation holds in cash the following amounts (reported in US\$ currency) in Canadian ("CDN") and US funds respectively: \$131,246 and \$139,201 (June 30, 2018 - \$1,916,119 and \$5,463) and has convertible debt with a face value of CDN\$250,000 and accrued interest of CDN\$51,175 at September 30, 2018 (2017 – CDN\$250,000).

Commodity 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.

**Sensitivity analysis**

As of September 30, 2018 and June 30, 2018, both the carrying and fair value amounts of the Corporation's current financial instruments are approximately equivalent due to their short-term nature.

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**5. FINANCIAL RISK FACTORS (continued)**

**Sensitivity analysis (continued)**

The sensitivity analysis shown in the notes below may differ materially from actual results. Based on management's knowledge and experience of the financial markets, the Corporation believes the following movements are reasonably possible for the period ended September 30, 2018:

- (i) As at September 30, 2018, if foreign exchange rates had decreased/increased by 1% with all other variables held constant, the loss for the period ended September 30, 2018 would have changed by \$1,392 as a result of lower/higher foreign exchange gains and losses on funds held in foreign currencies and reported shareholders' equity would also not have changed by a material amount.
- (ii) Market risk is the risk that the fair value of, or future cash flows from, the Corporation's financial instruments will significantly fluctuate because of changes in market prices. The fair value of the conversion option component of the Corporation's outstanding convertible debenture (see Note 13) is impacted by the current fair value of the Corporation's common shares. For the three months ended September 30, 2018, a 10% increase/decrease in the fair value of the Corporation's common shares would result in an estimated increase/decrease in unrealized loss on conversion feature of \$105,929.
- (iii) Commodity price risk could adversely affect the Corporation. In particular, the Corporation's future profitability and viability of development depends upon the world market price of gold. Gold prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. As of September 30, 2018, the Corporation was not a gold producer. As a result, gold price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Corporation's liquidity and its ability to meet its ongoing obligations.

**Fair value hierarchy and liquidity risk disclosure**

The three levels of the fair value hierarchy are as follows:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At September 30, 2018 and June 30, 2018, the Corporation did not hold any financial assets in the fair value hierarchy.

At June 30, 2018 and 2017, the fair value of the Corporation's financial liabilities held at fair value, the option component of convertible debenture and warrant liability, is based on Level 3 measurements. There were no transfers in or out of level 3 during the years ended June 30, 2018 and 2017.

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**5. FINANCIAL RISK FACTORS (continued)**

Level 3 Hierarchy

The key assumptions used in the valuation of the conversion option component of convertible debenture and warrant liability include (but are not limited to) the value at which a recent financing was done by the Corporation and share price volatility of comparable publicly traded companies.

For the conversion option component of convertible debenture and warrant liability valued based on market-based valuation technique, the inputs can be judgmental (See Notes 9 and 13). A +/- 25% change in the fair value of these Level 3 liabilities as at September 30, 2018 will result in a corresponding +/- \$606,611.

**6. MINERAL EXPLORATION INTERESTS**

On June 14, 2013, the Corporation entered into a share exchange agreement whereby the Corporation issued 11,228,137 common shares valued at \$1,103,277 using the estimated fair value of the Corporation's common shares at the time of issue in exchange for all the issued and outstanding shares and warrants of High Tide Resources Inc. The transaction was determined to be a business combination. The allocation of the purchase price was determined using the fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition. The fair value of the mineral exploration interests acquired was determined to be \$497,813 on the date of acquisition.

HTR held a 100% interest in three mining licenses located in southwest Newfoundland (the "Strickland Property"), which it acquired from Quinlan Prospecting Limited on July 15, 2011 in exchange for 4,000,000 HTR common shares and subject to a 2% net smelter return royalty ("NSR"). The Corporation may purchase 1% of the NSR for CDN\$1,000,000 and another 0.5% for an additional CDN\$1,000,000.

During the year ended June 30, 2016, two mining licenses were cancelled that did not contain claims that were deemed essential to the property block. The remaining license is in good standing and requires exploration expenditures of CDN\$2,000 prior to April 2019. Management has assessed that the property has not been impaired because the core focus is located on the remaining claim.

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**7. EQUIPMENT**

Cost	Equipment
Balance, June 30, 2017	\$ 64,458
Additions	114,544
Dispositions	-
Balance, June 30, 2018	179,002
Additions	-
Balance, September 30, 2018	\$ 179,002
<hr/>	
Amortization and impairment	Equipment
Balance, June 30, 2017	\$ 1,078
Amortization	23,306
Disposals	-
Balance, June 30, 2018	24,384
Amortization	7,751
Balance, September 30, 2018	\$ 32,135
<hr/>	
Carrying amounts	
Balance, June 30, 2018	\$ 154,618
Balance, September 30, 2018	\$ 146,867

**8. SHARE CAPITAL**

**(a) Authorized**

Unlimited number of common shares, with no par value.

**(b) Issued**

- (i) In June 2017, the Corporation closed the first two tranches of a private placement for 3,472,350 units offered at a price of CDN\$0.434 (US\$0.328) per unit for total gross proceeds of CDN\$1,507,000 (US\$1,135,824). Each unit is comprised of one common share of the Corporation and one-half of a common share purchase warrant. Each whole warrant is exercisable into one common share at a price per common share of CDN\$0.76 (US\$0.584) at any time prior to the date that is 24 months from the closing date.
- (ii) In August 2017, the Corporation closed the final five tranches of a private placement for 3,392,857 units offered at a price of CDN\$0.434 (US\$0.328) per unit for total gross proceeds of CDN\$1,472,500 (US\$1,167,045). Each unit is comprised of one common share of the Corporation and one-half of a common share purchase warrant. Each whole warrant is exercisable into one common share at a price per common share of CDN\$0.76 (US\$0.584) at any time prior to the date that is 24 months from the closing date. Officers and directors of the Corporation subscribed for 172,811 units for gross proceeds of \$75,000.

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**8. SHARE CAPITAL (continued)**

**(b) Issued (continued)**

- (iii) Former shareholders of Marching Moose Capital Corp. held 1,410,001 common shares following the Qualifying Transaction. On December 1, 2017 the Corporation consolidated its common shares, options and warrants on the basis one (1) post-consolidation common share, option or warrant for each 2.17 pre-consolidation common shares, options or warrants. All common share, option and warrant prices referenced in these consolidated financial statements have been adjusted to reflect the post-consolidation amounts.
- (iv) On January 15, 2018, the Corporation issued 207,813 shares valued at CDN\$0.45 (US\$0.361) for a total value of CDN\$93,599 (US\$75,000) pursuant to the Golden Zone property agreement. See Note 14.
- (v) On June 28, 2018, the Corporation completed a private placement for 6,465,000 common shares offered at a price of CDN\$0.50 (US\$0.377) per unit for total gross proceeds of CDN\$3,232,500 (US\$2,436,335). Each unit is comprised of one common share of the Corporation and one-half of a common share purchase warrant. Each whole warrant is exercisable into one common share at a price per common share of CDN\$0.76 (US\$0.573) at any time prior to the date that is 24 months from the closing date. Officers and directors of the Corporation subscribed for 1,000,000 units for gross proceeds of \$500,000.
- (vi) On September 21, 2018, the Corporation issued 130,000 shares for the exercise of options. A director of the Corporation exercised the options. See Note 8(c).

**(c) Share-based payment reserve**

In connection with the Qualifying Transaction, the Corporation issued 300,000 stock options as compensation for sponsor services. These options were valued using the Black-Scholes pricing model with an expected volatility of 150%, an expected dividend yield of 0%, an expected life of 2 years and a risk free rate of 1.52%. Share-based compensation expense of \$32,714 was recorded in the year ended June 30, 2018 for these options. Further, the fair value of options of the Corporation retained by the former shareholders of the Corporation were attributed a fair value of \$37,903 using the Black-Scholes option pricing model with the following assumptions: expected stock price volatility – 150%, expected life of options – 2.33 to 6.97 years, risk-free interest rate – 1.52% to 1.78%, exercise price CAD\$0.30 per share, and expected dividend yield – 0%.

On August 15, 2018, the Corporation granted 4,140,000 stock options to officers, directors, and consultants of the Corporation to purchase 4,140,000 common shares of the Corporation at an exercise price of CDN\$0.60 (US\$0.4635) per share expiring on August 15, 2023. The options were valued using the Black-Scholes pricing model with an expected volatility of 125%, an expected dividend yield of 0%, an expected life of 5 years and a risk free rate of 2.19%. Share-based compensation expense of \$581,070 was recorded in the period ended September 30, 2018 for these options of which \$398,352 related to stock options granted to officers and directors of the Corporation. During the period ended September 30, 2018 a director exercised 130,000 options for total cash proceeds of \$60,388.

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**8. SHARE CAPITAL (continued)**

**(c) Share-based payment reserve (continued)**

Share based payment activity for the period ended September 30, 2018 and year ended June 30, 2018 is summarized as follows:

	<u>Number of stock options</u>	<u>Weighted average exercise price (CDN)</u> \$
<b>Balance, June 30, 2017</b>	-	-
Deemed issuance (Note 3)	173,125	0.300
Granted	300,000	0.760
<b>Balance, June 30, 2018</b>	<b>473,125</b>	<b>0.591</b>
Exercised	(130,000)	(0.600)
Granted	4,140,000	0.600
<b>Balance, September 30, 2018</b>	<b>4,483,125</b>	<b>0.599</b>

Summary of options outstanding as at September 30, 2018:

<u>Options</u> #	<u>Number of non-vested options</u>	<u>Number of vested options</u>	<u>Exercise price</u> CDN \$	<u>Grant date fair value of options</u> \$	<u>Expiry date</u>
300,000	-	300,000	0.76	32,714	December 1, 2019
117,976	-	117,976	0.30	23,952	April 1, 2020
55,149	-	55,149	0.30	13,951	November 19, 2024
4,010,000	2,275,000	1,735,000	0.60	1,531,800	August 15, 2023
4,483,125	2,275,000	2,208,125		1,602,417	

As of September 30, 2018, of the options outstanding there are 2,208,125 that are fully vested and exercisable. The weighted average remaining time to expiry for all outstanding options as of September 30, 2018 is 4.56 years.

**9. WARRANT LIABILITY**

In connection to the private placement closings, the warrants issued are exercisable in Canadian dollars. The fair value of these warrants is recorded as a warrant liability at the date of issuance. These warrants are revalued at each financial position reporting date with the corresponding change recorded as gain (loss) on warrant revaluation on the consolidated statement of operations and comprehensive loss.

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**9. WARRANT LIABILITY (continued)**

The following table presents the reconciliation of the beginning and ending balances of the warrant liability:

	Warrant liability \$
<b>June 30, 2017</b>	262,759
Warrant issuance	773,865
Warrant revaluation	5,320
Change in foreign exchange	(18,776)
<b>June 30, 2018</b>	<b>1,023,168</b>
Warrant revaluation	323,251
Change in foreign exchange	20,734
<b>September 30, 2018</b>	<b>1,367,153</b>

The following is a summary of warrant activity for the period ended September 30, 2018 and year ended June 30, 2018:

	<u>September 30, 2018</u>		<u>June 30, 2018</u>	
	<u>Number</u>	<u>Weighted average exercise price</u> \$	<u>Number</u>	<u>Weighted average exercise price</u> \$
Balance, beginning of year	<b>6,832,483</b>	<b>0.76</b>	1,736,175	0.76
Granted in connection with private placements	-	-	5,096,308	0.76
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
<b>Balance, end of year</b>	<b>6,832,483</b>	<b>0.76</b>	<b>6,832,483</b>	<b>0.76</b>

- a) In connection with the June 2017 private placement disclosed in Note 8, the Corporation issued 1,736,175 warrants. The grant date fair value of \$262,759 assigned to the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of comparable entities of 150%, a risk free interest rate of 0.88%, share price of CDN\$0.336 and an expected maturity of 2 years. At June 30, 2018 the warrants were revalued using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of 120%, a risk free interest rate of 0.73%, share price of CDN\$0.52 and an expected maturity of 1.14 years.

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**9. WARRANT LIABILITY (continued)**

- b) In connection with the August 2017 private placement disclosed in Note 8, the Corporation issued 1,696,428 warrants. The grant date fair value of \$266,308 assigned to the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of comparable entities of 150%, a risk free interest rate of 0.88%, share price of CDN\$0.336 and an expected maturity of 2 years. At June 30, 2018 the warrants were revalued using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of 120%, a risk free interest rate of 0.73%, share price of CDN\$0.52 and an expected maturity of 1.14 years.
- c) In connection with the June 2018 private placement disclosed in Note 8, the Corporation issued 3,232,500 warrants. The grant date fair value of \$507,557 assigned to the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 120%, a risk free interest rate of 1.77%, share price of CDN\$0.50 and an expected maturity of 2 years. At June 30, 2018 the warrants were revalued using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of 120%, a risk free interest rate of 1.77%, share price of CDN\$0.52 and an expected maturity of 2 years.
- d) In connection with the June 2018 private placement disclosed in Note 8, the Corporation issued 167,380 broker warrants. The grant date fair value of \$33,178 assigned to the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 120%, a risk free interest rate of 1.77%, share price of CDN\$0.50 and an expected maturity of 2 years.

Summary of warrants outstanding as at September 30, 2018:

Warrants	Classification	Exercise price	Grant date fair value of warrants	Expiry date
#		\$	\$	
3,432,603	Liability	0.76	529,067	August 21, 2019
3,232,500	Liability	0.76	507,557	June 28, 2020
167,380	Equity	0.50	33,179	June 28, 2020
<u>6,832,483</u>			<u>1,069,803</u>	

**10. BASIC AND DILUTED NET LOSS PER SHARE**

The calculation of basic and diluted loss per share for the three month period ended September 30, 2018 was based on the loss attributable to common shareholders of \$2,775,569 (2017 - \$1,347,069) and the weighted average number of common shares outstanding of 56,043,473 (2017 – 46,769,750).

Diluted loss per share did not include the effect of the stock options disclosed in Note 8(c), the share purchase warrants disclosed in Note 9, or the conversion option feature described in Note 13 as they are anti-dilutive for the periods ended September 30, 2018 and 2017.

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**11. RELATED PARTY TRANSACTIONS**

a) The remuneration of key management personnel is comprised of

	<b>Three months ended September 30, 2018</b>	<b>Three months ended September 30, 2017</b>
Wages and benefits	\$ 20,328	\$ -
Share-based compensation	35,601	-

b) See Notes 8(b), (c) and Note 13.

c) Accounts payable and accrued liabilities as at September 30, 2018 includes \$nil (June 30, 2018 - \$nil) owed to current and former officers of the Corporation for fees. Such amounts are unsecured, non-interest bearing and with no fixed terms of payment.

**12. GENERAL AND ADMINISTRATIVE**

	<b>Three months ended September 30, 2018</b>	<b>Three months ended September 30, 2017</b>
Professional fees and transfer agent	\$ 108,351	\$ 17,617
Corporate relations	87,171	-
Office supplies, bank charges and telephone	15,223	2,966
Amortization (Note 7)	7,751	15,118
Travel and promotion	26,439	12,155
Wages and benefits	33,440	-
Occupancy costs	900	932
	<b>\$ 279,275</b>	<b>\$ 48,788</b>

**13. CONVERTIBLE DEBT**

On June 1, 2016, the Corporation closed a secured convertible debenture financing for CDN\$794,000 (US\$605,275) with an interest rate of 8% per annum payable at maturity. The unsecured convertible debenture has a maturity date of June 1, 2019 and the principal amount and all accrued interest of the convertible debentures are convertible into common shares at CDN\$0.109 (US\$0.082) per share prior to June 1, 2019 at the option of the holder. A total of CDN\$102,500 of the debentures were issued to directors and officers of the Corporation.

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.

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**13. CONVERTIBLE DEBT (continued)**

The Corporation allocated the net proceeds to liability and derivative liability components based on the fair value of the conversion feature (which is an embedded derivative liability requiring separation) and the convertible debentures using the effective interest rate method. The effective interest rate of the convertible note is 43.10% (this is determined by establishing the rate that is required to discount the contractual cash flows back to the carrying amount, as adjusted for transaction costs).

The fair value of the derivative liability component was determined to be \$375,271 with a residual amount of \$224,813 allocated to the liability on the date of issuance. The fair value of the conversion option component of the debenture at issuance was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 100%, risk free interest rate of 0.66% and an expected life of 3 years.

The discount on the convertible debentures is amortized using the effective interest method over a period of three years. The Corporation accretes the carrying value of the convertible debentures each month by recognizing an accretion expense in the statement of loss and comprehensive loss and a credit to convertible note. For the three month period ended September 30, 2018, \$9,315 (2017 - \$12,546) of finance expense from the debt discount was recorded by the Corporation.

During the year ended June 30, 2017, a total of CDN\$544,000 convertible debentures were converted into 5,013,825 common shares of the Corporation, along with 8% interest for one full year which converted into 401,106 common shares of the Corporation. A total of CDN\$102,500 of the converted debentures were held by directors and officers of the Corporation.

The fair value of the conversion option component of the remaining CDN\$250,000 convertible debentures outstanding as at September 30, 2018 was estimated as \$1,059,291 (June 30, 2018 - \$868,678) using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0% (June 30, 2018 – 0%), expected volatility of 110% (June 30, 2018 – 130%) based on the historical volatility of comparable entities, risk free interest rate of 0.73% (June 30, 2018 – 0.73%), share price of CDN\$0.60 (June 30, 2018 – CDN\$0.52), and an expected life of 0.65 years (June 30, 2018 – 0.90 years). The convertible debt is shown as a current liability as the debt's maturity date is fewer than 12 months from June 30, 2018. The convertible debt has no impact upon the Corporation's liquidity other than the possible redemption of the remaining amount outstanding of CDN\$250,000 and accrued interest of CDN\$51,175. At September 30, 2018, the conversion price is significantly in the money and in management's opinion; a redemption in cash is unlikely. If such redemption does occur, its impact on liquidity would be insignificant.

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**13. CONVERTIBLE DEBT (continued)**

The following table presents the reconciliation of the beginning and ending balances of the components of the convertible debt:

	Liability	Derivative liability	Total
	\$	\$	\$
<b>June 30, 2017</b>	112,301	504,213	616,514
Accretion of liability	40,538	-	40,538
Revaluation of conversion option	-	385,058	385,058
Change in foreign exchange	(2,966)	(20,593)	(23,559)
<b>June 30, 2018</b>	<b>149,873</b>	<b>868,678</b>	<b>1,018,551</b>
Accretion of liability	9,315	-	9,315
Revaluation of conversion option	-	173,969	173,969
Change in foreign exchange	2,674	16,644	19,318
<b>September 30, 2018</b>	<b>161,862</b>	<b>1,059,291</b>	<b>1,221,153</b>

**14. EXPLORATION AND EVALUATION EXPENDITURES**

**Golden Zone**

On April 28, 2016, the Corporation entered a preliminary agreement with Chulitna Mining Company LLC (“CMC”), Mines Trust Company Inc. (“MTC”), and Alix Resources Corp. (“AIX”) to purchase an aggregate interest of 70.6% interest in the Golden Zone property, Alaska. Upon signing this agreement, the Corporation paid \$25,000 to CMC for an exclusive 90-day due diligence period. In addition, the Corporation paid CDN\$10,000 to AIX and settled a debt of CDN\$200,000 (US\$152,462) owed by CMC to AIX through the issuance of 460,829 shares at a deemed price of CDN\$0.43 (US\$0.33) per share upon closing of the definitive agreement for the interest in the Golden Zone property.

The parties have agreed to the following financial terms for the final agreement, which was agreed to on November 21, 2016:

	CMC				MTC			
	cash		stock		cash		stock	
upon signing an agreement in 2016	\$ 150,000	(paid)	\$ 150,000	(paid)	\$ 25,000	(paid)	\$ 100,000	(paid)
January 15, 2017	50,000	(paid)	50,000	(paid)	-		25,000	(paid)
January 15, 2018	50,000	(paid)	50,000	(paid)	-		25,000	(paid)
January 15, 2019	100,000		100,000		-		25,000	
January 15, 2020	100,000		100,000		-		25,000	
January 15, 2021	100,000		100,000		-		25,000	
January 15, 2022	150,000		150,000		-		25,000	
January 15, 2023	150,000		150,000		-		25,000	
Total	\$ 850,000		\$ 850,000		\$ 25,000		\$ 275,000	

Upon signing the agreement, the stock portion of the required payment resulted in the issuance of 1,497,696 common shares. The January 15, 2017 payments resulted in the issuance of 454,493 common shares. The January 15, 2018 payments resulted in the issuance of 207,813 common shares.

**AVIDIAN GOLD CORP.**  
**Notes to the Consolidated Financial Statements**  
For the three months ended September 30, 2018 and 2017  
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**14. EXPLORATION AND EVALUATION EXPENDITURES (continued)**

**Golden Zone (continued)**

The Corporation will undertake to spend \$2,000,000 over a five year period with a minimum annual expenditure of \$200,000. In January 2018, the Corporation received confirmation from the vendor that the \$2,000,000 expenditure commitment has been met.

The Corporation's shares will be valued at CDN\$0.10 per share where there is no public market for those shares and at the 20-day VWAP immediately prior to the date a payment is due when the Corporation's shares (or its successor company's shares) are listed upon a stock exchange.

Annual payments will cease after the January 15, 2023 payments or upon the beginning of production of 10,000 ounces or more of gold annually from the property when NSR's will become payable. Cash payments in the years 2019 and following will be considered advance royalty payments and will be deducted from up to 50% of NSR royalty's payable upon achieving production from GZ. Those NSR royalties will be as follows: CMC 2.0%; MTC 1.0%. The Corporation can surrender its interest in the property by notifying the owner and there will be no further payment obligations.

The Corporation shall have the option exercisable at any time to purchase one-half (1/2) of the royalty payable to CMC representing 1.0% of the NSR for the purchase price of \$1,000,000 and 40% of the royalty payable to MTC representing 0.4% of the NSR for the purchase price of \$400,000.

On October 22, 2016, the Corporation finalized a purchase agreement with Hidefield Gold Alaska Inc. ("Hidefield") for the Hidefield Golden Zone Interest. Pursuant to the agreement, the Corporation acquired a 100% of Hidefield's interest in certain claims. As consideration for acquisition of Hidefield's interests, the Corporation issued 1,612,903 common shares at a deemed price of CDN\$0.217 per share and the production from the property so acquired shall be subject to 1% NSR.

**Amanita**

On July 18, 2015, the Corporation signed a letter of intent for a lease to purchase option for a period of 15 years pursuant to which the Corporation can acquire a 100% interest in the Amanita claim block subject to a 3% NSR for cash consideration of \$3,000,000. The Amanita claim block is comprised of 88 lode claims located within the Fairbanks Mining District approximately 25 kilometres northeast of Fairbanks, Alaska. The definitive agreement was formalized on October 31, 2016.

The Corporation paid \$5,000 at the time of signing a letter of intent and a further \$20,000 on the signing of the definitive property agreement. The Corporation is required to make minimum payments as follows, which would be credited against the purchase price.

- a. First anniversary of agreement date: \$15,000 (paid)
- b. Second anniversary of agreement date: \$25,000 (paid)
- c. Third anniversary of agreement date: \$30,000 (paid)
- d. Every subsequent anniversary: payments increase by \$10,000 annually

The Corporation can acquire the 3% NSR royalty for an additional \$3,000,000.

**AVIDIAN GOLD CORP.**  
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**14. EXPLORATION AND EVALUATION EXPENDITURES (continued)**

**Jungo (Formerly known as Shawnee Creek)**

On January 8, 2013, Dutch Gold Resources Inc. ("DGRI"), DGRI Jungo Development Corporation and the Corporation entered into an agreement pursuant to which DGRI and DGRI Jungo Development Corporation agreed to transfer to the Corporation all of the right, title and interest in and to the Red Dog Claims located in Nevada, in exchange for a 2% NSR and the obligation of the Corporation to pay annual advance minimum royalty payments to DGRI Jungo Development Corporation in the amount of \$20,000 beginning on August 25, 2015. The Corporation also holds a 100% interest in Red Dog Claims 101-160 that is not subject to an NSR.

**Dome Hill**

The Corporation owns claims located in Mono County, California and Mineral County, Nevada (the "Nevoro Claims") outright and free and clear of any claims, encumbrances or liens. The Corporation has no royalty or minimum payment obligations in respect of the Nevoro Claims.

On August 1, 2016, the Corporation entered into a lease agreement with Chonna DeLaney on the Jump Up Joe patented claim (MS 160651) in Mono County, California. The lease is for an initial period of ten years with options for ten, one-year extensions as long as the Corporation is conducting exploration or mining on the property. Annual lease payments are \$1,000, and there is a two percent (2%) gross proceeds royalty from all production from the property. One half of the royalty can be purchased at any time for \$250,000. The lease is current until August 1, 2019.

On August 1, 2016, the Corporation entered into a Lease with Option to Purchase Agreement with the Brook Family Trust on the Hermene patented claim (MS285868) in Mono County, California. The lease is for an initial period of ten years with options for ten, one-year extensions as long as the Corporation is conducting exploration or mining on the property. Annual lease payments are \$1,000, and the claim can be purchased for \$75,000. There is no residual royalty. The lease is current until August 1, 2019.

**AVIDIAN GOLD CORP.**  
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**14. EXPLORATION AND EVALUATION EXPENDITURES (continued)**

The following table summarizes exploration and evaluation expenditures for each of the Corporation's respective properties.

	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
Evaluation expenditures	1,235,926	1,159,485
	<b>\$ 1,269,209</b>	<b>\$ 1,171,920</b>
<b>Amanita</b>		
Acquisition and holding costs	\$ 44,960	\$ 45,753
Evaluation expenditures	2,485	-
	<b>\$ 47,445</b>	<b>\$ 45,753</b>
<b>Dome Hill</b>		
Acquisition and holding costs	\$ 14,375	\$ 16,874
Evaluation expenditures	-	-
	<b>\$ 14,375</b>	<b>\$ 16,874</b>
<b>Jungo (Formerly known as Shawnee Creek)</b>		
Acquisition and holding costs	\$ 36,197	\$ 39,249
Evaluation expenditures	-	-
	<b>\$ 36,197</b>	<b>\$ 39,249</b>
<b>Other Properties</b>		
Evaluation expenditures	\$ 4,858	\$ -
<b>TOTAL EXPLORATION AND EVALUATION EXPENDITURES</b>	<b>\$ 1,372,084</b>	<b>\$ 1,273,796</b>

# **AVIDIAN GOLD CORP.**

## **Notes to the Consolidated Financial Statements**

**For the three months ended September 30, 2018 and 2017**

**(Expressed in US dollars – except where otherwise indicated)**

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### **15. CONTINGENCIES**

#### **Environmental 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.

### **16. COMPARATIVE INFORMATION**

Certain comparative figures have been reclassified to conform to the current period's financial statement presentation.

### **17. 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.