



Condensed Interim Consolidated Financial Statements

AVIDIAN GOLD CORP.

For the three months ended September 30, 2019 and 2018

(Expressed in US dollars)

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

November 29, 2019

"David Anderson"
Chief Executive Officer

"Donna McLean"
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, 2019	As at June 30, 2019
	\$	\$
Assets		
Current		
Cash	1,498,690	754,186
Amounts receivable and prepaid expenses	69,224	36,790
Total current assets	1,567,914	790,976
Non-current assets		
Equipment (Note 7)	117,382	123,646
Mineral exploration interests (Note 6)	497,813	497,813
Total assets	2,183,109	1,412,435
Liabilities		
Current		
Trade payables and accrued liabilities	398,276	516,188
Total current liabilities	398,276	516,188
Non-current liabilities		
Convertible debenture (Note 14)	375,999	315,496
Warrant liability (Note 9)	90,827	62,390
Total liabilities	865,102	894,074
Shareholders' Equity		
Share capital (Note 8(b))	11,751,334	10,264,689
Share-based payment reserve (Note 8(c))	843,538	778,217
Deficit	(11,002,126)	(10,580,179)
Equity attributable to shareholders of the Corporation	1,592,746	462,727
Non-controlling interest (Note 10)	(274,739)	55,634
Total equity	1,318,007	518,361
Total liabilities and shareholders' equity	2,183,109	1,412,435

DESCRIPTION OF BUSINESS AND GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 6, 15 and 16)

APPROVED BY THE BOARD OF DIRECTORS

Original signed by David C. Anderson, Director

Original signed by Dino Titaro, Director

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

	For the three months ended September 30, 2019	For the three months ended September 30, 2018
	\$	\$
Operating Expenses		
Exploration and evaluation expenditures (Note 15)	1,158,419	1,372,084
General and administrative (Note 13)	140,260	279,275
Convertible debenture interest (Note 14)	16,881	4,519
Accretion (Note 14)	17,224	9,315
Share-based compensation (Note 8(c))	57,339	581,070
Net loss before other losses (gains)	1,390,123	2,246,263
Foreign exchange (gains) losses	(7,526)	32,086
Unrealized loss on warrant revaluation (Note 9)	29,261	323,251
Unrealized loss on conversion feature (Note 14)	30,310	173,969
Total other losses	52,045	529,306
Net loss and comprehensive loss for the period	1,442,168	2,775,569
Net loss and comprehensive loss attributable to:		
Shareholders of the Corporation	1,049,200	2,775,569
Non-controlling interest	392,968	-
Net loss and comprehensive loss for the period	1,442,168	2,775,569
Net loss per share - basic and diluted (Note 11)	0.01	0.05
Weighted average number of shares outstanding - basic and diluted (Note 11)	74,168,390	56,043,473

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	Equity attributable to shareholders of the Corporation	Non-controlling interest	Total Equity
		\$	\$	\$			\$
Balance June 30, 2018	56,030,756	9,302,284	103,795	(9,299,904)	106,175	-	106,175
Net loss and comprehensive loss for the period	-	-	-	(2,775,569)	(2,775,569)	-	(2,775,569)
Options exercised (Note 8(c))	130,000	97,627	(37,239)	-	60,388	-	60,388
Share-based compensation (Note 8(c))	-	-	581,070	-	581,070	-	581,070
Balance September 30, 2018	56,160,756	9,399,911	647,626	(12,075,473)	(2,027,936)	-	(2,027,936)
Non-controlling interest on acquisition	-	-	-	207,306	207,306	70,318	277,624
Net loss and comprehensive loss for the period	-	-	-	1,287,988	1,287,988	(14,684)	1,273,304
Rights issue, net of issue costs (Note 8(b))	5,285,962	420,448	-	-	420,448	-	420,448
Shares issued on debenture conversion (Note 14)	2,304,145	319,330	-	-	319,330	-	319,330
Shares for property acquisition (Note 15)	400,098	125,000	-	-	125,000	-	125,000
Share-based compensation (Note 8(c))	-	-	130,591	-	130,591	-	130,591
Balance June 30, 2019	64,150,961	10,264,689	778,217	(10,580,179)	462,727	55,634	518,361
Non-controlling interest on acquisition	-	-	-	627,253	627,253	62,595	689,848
Net loss and comprehensive loss for the period	-	-	-	(1,049,200)	(1,049,200)	(392,968)	(1,442,168)
Private placement, net of issue costs (Note 8(b))	20,480,768	1,486,645	7,982	-	1,494,627	-	1,494,627
Share-based compensation (Note 8(c))	-	-	57,339	-	57,339	-	57,339
Balance September 30, 2019	84,631,729	11,751,334	843,538	(11,002,126)	1,592,746	(274,739)	1,318,007

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, 2019	For the three months ended September 30, 2018
	\$	\$
Operating activities		
Net loss for the period	(1,442,168)	(2,775,569)
Items not involving cash:		
Amortization (Note 7)	6,264	7,747
Accretion (Note 14)	17,224	9,315
Unrealized foreign exchange loss	9,222	40,055
Unrealized loss on warrant revaluation	29,261	323,251
Unrealized loss on conversion feature	30,310	173,969
Shares issued for property acquisition	692,771	-
Share-based compensation	57,339	581,070
	<u>(599,777)</u>	<u>(1,640,162)</u>
Changes in non-cash working capital		
Decrease in amounts receivable and prepaids	(32,434)	(2,313)
Decrease in trade payables and accrued liabilities	(117,912)	(69,048)
Change in non-cash operating working capital	<u>(150,346)</u>	<u>(71,361)</u>
Net cash flows from operating activities	<u>(750,123)</u>	<u>(1,711,523)</u>
Financing activities		
Proceeds from issuance of shares	1,541,587	-
Share issue costs	(46,960)	-
Exercise of stock options	-	60,388
Net cash flows provided by financing activities	<u>1,494,627</u>	<u>60,388</u>
Increase (decrease) in cash	744,504	(1,651,135)
Cash, beginning of period	754,186	1,921,582
Cash, end of period	<u>1,498,690</u>	<u>270,447</u>

See accompanying notes to the condensed interim consolidated financial statements

AVIDIAN GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2019 and 2018

(Expressed in US dollars – except where otherwise indicated)

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 18 King Street East, Suite #902, Toronto, Ontario, M5C 1C4.

Avidian is in the business of acquiring and exploring gold projects. As of September 30, 2019, the Corporation has acquired the rights to explore three gold properties in the United States of America and has majority ownership of High Tide Resources Corp. which holds the right to explore three properties in Newfoundland, Canada.

The condensed interim consolidated financial statements of the Corporation for the three months ended September 30, 2019 were reviewed, approved and authorized for issue by the Board of Directors on November 29, 2019. 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.

The Corporation's property interests are at an early stage of exploration and, in common with many exploration companies, the Corporation 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, 2019 attributable to shareholders of the Corporation of \$1,049,200 and has an accumulated deficit of \$11,002,126. 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.

AVIDIAN GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2019 and 2018

(Expressed in US dollars – except where otherwise indicated)

2. BASIS OF PRESENTATION

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, 2019 and 2018 (“Annual Financial Statements”). Accordingly, these condensed interim consolidated financial statements as at and for the three months ended September 30, 2019 and 2018 should be read together with the Annual Financial Statements.

Basis of Consolidation

The condensed interim consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries Avidian Gold Inc., Avidian Gold US Inc., Avidian Gold Alaska Inc., High Tide Resources Inc., and its 44% owned subsidiary High Tide Resources Corp. The loss incurred by High Tide Resources Corp. from October 18, 2018 (date of incorporation) and onward has been included in the statement of loss and comprehensive loss. Intercompany transactions and balances are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of Note 2 of the Corporation’s consolidated financial statements for the year ended June 30, 2019.

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 share capital, share-based payment reserve and deficit, which at September 30, 2019, totaled \$1,592,746 (June 30, 2019 - \$462,727).

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.

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.

AVIDIAN GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2019 and 2018

(Expressed in US dollars – except where otherwise indicated)

4. CAPITAL MANAGEMENT (continued)

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 significant changes in the Corporation's approach to capital management during the three months ended September 30, 2019. 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, 2019, management believes the Corporation believes to be 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, 2019. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is minimal.

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.

AVIDIAN GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2019 and 2018

(Expressed in US dollars – except where otherwise indicated)

5. FINANCIAL RISK FACTORS (continued)

Liquidity risk (continued)

The Corporation generates cash flow primarily from its financing activities. As at September 30, 2019, the Corporation had cash of \$1,498,690 to settle current liabilities of \$398,276. The Corporation regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance and liquidity. The current liabilities, comprised of the trade payable balances of \$398,276 will be settled with cash. See Note 14 for details on the convertible debt.

All of the Corporation's current financial liabilities as at September 30, 2019 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, 2019, the Corporation holds in cash the following amounts (reported in US\$ currency) in Canadian ("CDN") and US funds respectively: \$1,246,429 and \$252,261 (June 30, 2019 - \$712,162 and \$42,024) and has convertible debt with a face value of CDN\$708,000 and accrued interest of CDN\$51,150 at September 30, 2019 (June 30, 2019 – CDN\$708,000 and CDN\$28,863).

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, 2019 and June 30, 2019, both the carrying and fair value amounts of the Corporation's current financial instruments are approximately equivalent due to their short-term nature.

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, 2019:

AVIDIAN GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2019 and 2018

(Expressed in US dollars – except where otherwise indicated)

5. FINANCIAL RISK FACTORS (continued)

Market risk (continued)

- (i) As at September 30, 2019, if foreign exchange rates had decreased/increased by 1% with all other variables held constant, the loss for the period ended September 30, 2019 would have changed by \$12,457 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 14) is impacted by the current fair value of the Corporation's common shares. For the three months ended September 30, 2019, 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 \$9,579.
- (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, 2019, 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, 2019 and June 30, 2019, the Corporation did not hold any financial assets in the fair value hierarchy.

At September 30, 2019 and June 30, 2019, 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 period ended September 30, 2019 or the year ended June 30, 2019.

AVIDIAN GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2019 and 2018

(Expressed in US dollars – except where otherwise indicated)

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 14). A +/- 25% change in the fair value of these Level 3 liabilities as at September 30, 2019 would result in a corresponding +/- \$19,874.

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. ("HTR"). 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 2020. Management has assessed that the property has not been impaired because the core focus is located on the remaining claim.

On November 26, 2018, the Corporation transferred the Strickland Property to its controlled subsidiary High Tide Resources Corporation.

AVIDIAN GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2019 and 2018

(Expressed in US dollars – except where otherwise indicated)

7. EQUIPMENT

Cost	Equipment
Balance, June 30, 2018	\$ 179,002
Additions	-
Balance, June 30, 2019	179,002
Additions	-
Balance, September 30, 2019	\$ 179,002
Amortization and impairment	Equipment
Balance, June 30, 2018	\$ 24,384
Amortization	30,972
Balance, June 30, 2019	55,356
Amortization	6,264
Balance, September 30, 2019	\$ 61,620
Carrying amounts	
Balance, June 30, 2019	\$ 123,646
Balance, September 30, 2019	\$ 117,382

8. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares, with no par value.

(b) Issued

- (i) 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).
- (ii) On December 20, 2018, the Corporation issued 460,829 shares for the conversion of a CDN\$50,000 convertible debenture. See Note 14.
- (iii) In December 2018, the Corporation's subsidiary, High Tide Resources Corp., issued 3,620,000 flow through shares offered at a price of CDN\$0.10 (US\$0.073) per share for total gross proceeds of CDN\$362,000 (US\$270,174).
- (iv) On January 15, 2019, the Corporation issued 400,098 shares valued at CDN\$0.414 (US\$0.312) for a total value of CDN\$165,826 (US\$125,000) pursuant to the Golden Zone property agreement. See Note 15.
- (v) On May 22, 2019, the Corporation issued 1,843,316 shares for the conversion of CDN \$200,000 convertible debentures. See Note 14.

AVIDIAN GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2019 and 2018

(Expressed in US dollars – except where otherwise indicated)

8. SHARE CAPITAL (continued)

(b) Issued (continued)

- (vi) On June 26, 2019, the Corporation completed a rights offering for total gross proceeds of CDN\$581,456 (US\$442,838) through the issuance of 5,285,962 common shares offered at a price of CDN\$0.11 (US\$0.0837). Officers and directors of the Corporation subscribed for 1,825,764 common shares for gross proceeds of CDN\$200,834.
- (vii) On August 16, 2019, the Corporation closed a private placement for 20,480,768 common shares offered at a price of CDN\$0.10 (US\$0.075) per unit for total gross proceeds of CDN\$2,048,077 (US\$1,541,587). Officers and directors of the Corporation subscribed for 350,000 common shares for gross proceeds of \$35,000.
- (viii) On September 19, 2019, the Corporation's subsidiary, High Tide Resources Corp., issued 9,146,696 common shares valued at CDN\$0.10 (US\$0.075) per share for a total value of CDN\$914,670 (US\$692,771) as consideration for the assumption of the rights to the option to acquire 100 per cent of the Labrador West iron ore project. See Note 15.

(c) Share-based payment reserve

On August 15, 2018, the Corporation granted 4,015,000 stock options to officers, directors, and consultants of the Corporation to purchase 4,015,000 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%. A total of 1,865,000 stock options vested immediately.

The remaining 2,150,000 stock options vest in equal one-third tranches on the first, second and third year anniversary date of the grant. Share-based compensation expense of \$28,233 was recorded in the three months ended September 30, 2019 for these options of which \$15,685 related to stock options granted to officers and directors of the Corporation. During the year ended June 30, 2019 a director exercised 130,000 options for total cash proceeds of \$60,388.

On August 15, 2018, the Corporation granted 125,000 stock options to a consultant of the Corporation to purchase 125,000 common shares of the Corporation at an exercise price of CDN \$0.60 (US \$0.4635) per share expiring on August 15, 2021. 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 3 years and risk free rate of 2.19%. The stock options vest in equal one-quarter tranches immediately, and on the first, second and third quarter following the date of grant. Share-based compensation expense of \$1,104 was recorded in the three months ended September 30, 2019.

On November 15, 2018, the Corporation granted 150,000 stock options to a director of the Corporation to purchase 150,000 common shares of the Corporation at an exercise price of CDN\$0.60 (US\$0.4635) per share expiring on November 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 2.31%. The stock options vest in equal one-third tranches on the first, second and third year anniversary date of the grant. Share-based compensation expense of \$5,527 was recorded in the three months ended September 30, 2019.

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Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in US dollars – except where otherwise indicated)

8. SHARE CAPITAL (continued)

(c) Share-based payment reserve (continued)

On February 4, 2019, the Corporation granted 100,000 stock options to an officer of the Corporation to purchase 100,000 common shares of the Corporation at an exercise price of CDN\$0.40 (US\$0.299) per share expiring on February 4, 2024. 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 2.31%. The stock options vest in equal one-third tranches on the first, second and third year anniversary date of the grant. Share-based compensation expense of \$2,822 was recorded in the three months ended September 30, 2019.

On August 26, 2019, the Corporation granted 3,600,000 stock options to officers, directors, and consultants of the Corporation to purchase 3,600,000 common shares of the Corporation at an exercise price of CDN\$0.20 (US\$0.151) per share expiring on August 26, 2024. 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 1.24%. The stock options vest in equal one-third tranches on the first, second and third year anniversary date of the grant. Share-based compensation expense of \$19,653 was recorded in the three months ended September 30, 2019 of which \$12,283 related to stock options granted to officers and directors of the Corporation.

Share-based payment activity for the three month period ended September 30, 2019 and year ended June 30, 2019 is summarized as follows:

	<u>Number of stock options</u>	<u>Weighted average exercise price (CDN)</u>
		\$
Balance, June 30, 2018	473,125	0.591
Exercised	(130,000)	(0.600)
Forfeited	(1,250,000)	(0.600)
Granted	4,390,000	0.595
Balance, June 30, 2019	3,483,125	0.593
Granted	3,600,000	0.200
Balance, September 30, 2019	7,083,125	0.393

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8. SHARE CAPITAL (continued)

(c) Share-based payment reserve (continued)

Summary of options outstanding as at September 30, 2019:

Options	Number of non-vested options	Number of vested options	Exercise price	Grant date fair value of options	Expiry date
#			CDN \$	\$	
300,000	-	300,000	0.76	32,714	December 1, 2019
117,976	-	117,976	0.30	23,952	April 1, 2020
125,000	-	125,000	0.60	35,203	August 15, 2021
2,635,000	475,000	2,160,000	0.60	742,084	August 15, 2023
150,000	150,000	-	0.60	35,904	November 15, 2023
100,000	100,000	-	0.40	18,435	February 4, 2024
3,600,000	3,600,000	-	0.20	335,377	August 26, 2024
55,149	-	55,149	0.30	13,951	November 19, 2024
7,083,125	4,325,000	2,758,125		1,237,620	

As of September 30, 2019, of the options outstanding there are 2,758,125 that are fully vested and exercisable. The weighted average remaining time to expiry for all outstanding options as of September 30, 2019 is 4.24 years (2018 – 4.56 years).

During the period ended September 30, 2019, 2,250,000 stock options were granted to directors and officers of the Company (September 30, 2018 – 1,780,000). The share-based compensation related to the options issued is \$12,283 (2018 – \$493,950).

9. WARRANT LIABILITY

In connection with the private placement closings (see Note 8(b)), 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.

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

	Warrant liability
	\$
June 30, 2018	1,023,168
Warrant issuance	161,588
Warrant revaluation	(1,119,516)
Change in foreign exchange	(2,850)
June 30, 2019	62,390
Warrant revaluation	29,261
Change in foreign exchange	(824)
September 30, 2019	90,827

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9. WARRANT LIABILITY (continued)

The following is a summary of warrant activity for the three month period ended September 30, 2019 and year ended June 30, 2019:

	September 30, 2019		June 30, 2019	
	Number	Weighted average exercise price CDN\$	Number	Weighted average exercise price CDN\$
Balance, beginning of period	8,602,483	0.69	6,832,483	0.76
Granted in connection with private placements	132,000	0.10	-	-
Granted in connection with convertible debenture	-	-	1,770,000	0.40
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Balance, end of period	8,734,483	0.68	8,602,483	0.69

- a) In connection with the February 2019 convertible debenture issuance disclosed in Note 14, the Corporation issued 1,770,000 warrants. The grant date fair value of \$161,588 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 115%, a risk free interest rate of 1.76%, share price of CDN\$0.21 and an expected maturity of 3 years. At September 30, 2019, 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 115%, a risk free interest rate of 1.54%, share price of CDN\$0.135 and an expected maturity of 2.41 years.
- b) In connection with the August 2019 private placement disclosed in Note 8, the Corporation issued 132,000 broker warrants. The grant date fair value of \$7,982 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 125%, a risk free interest rate of 1.54%, share price of CDN\$0.13 and an expected maturity of 1.5 years.

Summary of warrants outstanding as at September 30, 2019:

Warrants	Classification	Exercise price CDN\$	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
132,000	Equity	0.10	7,982	February 16, 2021
1,770,000	Liability	0.40	161,588	February 25, 2022
8,734,483			1,239,373	

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10. NON-CONTROLLING INTEREST

The amount shown for non-controlling interest on the condensed interim consolidated statements of financial position is in relation to a non-controlling interest ownership (approximately 56%) in the shares of High Tide Resources Corp. In December 2018, High Tide Resources Corp. issued 3,620,000 flow-through shares at a price of CDN\$0.10 (US\$0.073) per share for total gross proceeds of CDN\$362,000 (US\$270,174). In June 2019, High Tide Resources Corp. issued an additional 100,000 shares valued at CDN \$0.10 (US \$0.0745) for a total value of CDN\$10,000 (US\$7,450) pursuant to the Black Raven property agreement. On September 19, 2019, the Corporation's subsidiary, High Tide Resources Corp., issued 9,146,696 common shares valued at CDN\$0.10 (US\$0.075) per share for a total value of CDN\$914,670 (US\$692,771) in consideration as consideration for the assumption of the rights to the option to acquire 100 per cent of the Labrador West iron ore project. See Note 15. The issuance of these shares resulted in a balance of \$132,913 allocated to the non-controlling interest based on the proportion of the net assets held by the non-controlling interest. Non-controlling interests' share of High Tide Resources Corp.'s expenses are reflected in the condensed interim consolidated statements of operations and are charged as a reduction to the non-controlling interest account on the condensed interim consolidated statement of financial position.

11. BASIC AND DILUTED NET LOSS PER SHARE

The calculation of basic and diluted earnings per share for the three month period ended September 30, 2019 was based on the loss attributable to shareholders of the Corporation of \$1,049,200 (2018 - \$2,775,569) and the weighted average number of common shares outstanding of 74,168,390 (2018 – 56,043,473).

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 14 as they are anti-dilutive for the three month period ended September 30, 2019 and 2018.

12. RELATED PARTY TRANSACTIONS

a) The remuneration of key management personnel is comprised of

	Three months ended September 30, 2019	Three months ended September 30, 2018
Wages and benefits	\$12,164	\$20,328
Consulting fees	36,753	-
Share-based compensation	36,317	35,601

*Key management personnel include directors, officers and former directors/officers.

b) See Notes 8(b) (c) and Note 14.

c) Trade payables and accrued liabilities as at September 30, 2019 includes \$1,875 (June 30, 2019 - \$30,224) 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.

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13. GENERAL AND ADMINISTRATIVE

	Three months ended September 30, 2019	Three months ended September 30, 2018
Amortization (Note 7)	\$ 6,264	\$ 7,751
Corporate relations	43,210	87,171
Occupancy costs	900	900
Office supplies, bank charges and telephone	12,759	15,223
Professional fees and transfer agent	37,670	108,351
Travel and promotion	27,293	26,439
Wages and benefits	12,164	33,440
	\$ 140,260	\$ 279,275

14. CONVERTIBLE DEBENTURE

On February 26, 2019, the Corporation closed an unsecured convertible debenture financing (“2019 Debenture”) for CDN\$708,000 (US\$529,796) with an interest rate of 8% per annum payable in cash or 12% per annum payable in shares at maturity. The unsecured convertible debentures have a maturity date of February 25, 2022 and the principal amount and all accrued interest of the convertible debentures are convertible into common shares at CDN\$0.40 (US\$0.299) per share prior to February 25, 2022 at the option of the holder. A total of CDN\$270,000 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.

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 2019 Debenture is 40.80% (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 for the 2019 Debenture was determined to be \$161,588 and the fair value of the warrants was determined to be \$161,588 (see Note 9) with a residual amount of \$206,620 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 115%, risk free interest rate of 1.76% and an expected life of 3 years.

The discount on the convertible debentures is amortized using the effective interest method over the term of the debenture being a period of three years. The Corporation accretes the carrying value of the convertible debentures each month by recognizing an accretion expense in the condensed interim statement of operations and comprehensive loss and a credit to convertible note. For the three month period ended September 30, 2019, \$17,224 (2018 - \$9,315) of finance expense from the debt discount was recorded by the Corporation.

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14. CONVERTIBLE DEBENTURE (continued)

The fair value of the conversion option component of the CDN\$708,000 2019 Debenture outstanding as at September 30, 2019 was estimated as \$81,686 (June 30, 2019 - \$52,081) using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 115% based on the historical volatility of comparable entities, risk free interest rate of 1.54%, share price of CDN\$0.135, and an expected life of 2.41 years.

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

	Liability	Derivative liability	Total
	\$	\$	\$
June 30, 2018	149,873	868,678	1,018,551
Issuance of debenture	206,620	161,588	368,208
Accrued interest	21,808	-	21,808
Accretion of liability	65,365	-	65,365
Revaluation of conversion option	-	(836,015)	(836,015)
Change in foreign exchange	5,939	(9,030)	(3,091)
Debentures converted	(186,190)	(133,140)	(319,330)
June 30, 2019	263,415	52,081	315,496
Accrued interest	16,881	-	16,881
Accretion of liability	17,224	-	17,224
Revaluation of conversion option	-	30,310	30,310
Change in foreign exchange	(3,207)	(705)	(3,912)
September 30, 2019	294,313	81,686	375,999

At September 30, 2019, the face value of the outstanding convertible debenture totals CDN\$708,000.

15. 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.

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15. EXPLORATION AND EVALUATION EXPENDITURES (continued)

Golden Zone (continued)

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	(paid)	100,000	(paid)	-		25,000	(paid)
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. The January 15, 2019 payments resulted in the issuance of 400,098 common shares.

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.

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.

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.

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15. EXPLORATION AND EVALUATION EXPENDITURES (continued)

Amanita (continued)

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 (paid \$40,000 in August 2019)

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

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 "Nevero 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 Nevero 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 Corporation did not renew the lease on 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 Corporation did not renew the lease on August 1, 2019.

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15. EXPLORATION AND EVALUATION EXPENDITURES (continued)

Black Raven

On November 26, 2018, the Corporation's majority controlled subsidiary, High Tide Resources Corp. ("High Tide"), entered into an option to earn a 100-per-cent interest in the Black Raven property over three years via the issuance of CDN\$275,000 in shares and the completion of at least CDN\$70,000 of exploration work. The vendor retains a 2-per-cent net smelter return, of which 1.75 per cent can be purchased by High Tide for CDN\$2-million. The Corporation is required to make minimum payments as follows:

- a. Upon signing of agreement date: CDN\$10,000 worth of High Tide shares (shares issued)
- b. First anniversary of agreement date: CDN\$15,000 worth of High Tide shares
- c. Second anniversary of agreement date: CDN\$250,000 worth of High Tide shares

Labrador West

On August 28, 2019, High Tide Resources Corp. ("High Tide"), a subsidiary of the Corporation, has agreed to terms with Altius Resources Inc. ("Altius"), a wholly owned subsidiary of Altius Minerals Corp., to acquire 100 per cent of the Labrador West iron ore project, located in the Labrador Trough.

Altius has granted to High Tide an exclusive option to purchase the 100-per-cent undivided interest in and to the project upon: (i) High Tide incurring exploration expenditures on the project of at least CDN\$2,000,000 by December 31, 2021; (ii) the issuance of 19.9 per cent of the issued and outstanding common shares of High Tide immediately following cumulative equity financings of no less than CDN\$5,000,000; and (iii) High Tide becoming a publicly listed company in Canada within 24 months from the execution date.

Upon High Tide acquiring a 100-per-cent interest in the project, the public company shall grant to Altius a 2.75-per-cent gross sales royalty (GSR) on all iron ore produced, removed and recovered from the project.

Additionally, High Tide has issued 9,146,666 common shares in the capital of High Tide payable to arm's-length parties as consideration for the assumption of the rights to the option. These consideration shares are issued at a deemed price per share of CDN\$0.10. The issuance of these shares decreases the Corporation's percentage ownership to 43.732%.

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15. 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, 2019	Three Month Period ended September 30, 2018
Golden Zone		
Acquisition and holding costs	\$ 38,682	\$ 33,283
Evaluation expenditures	176,694	1,235,926
	\$ 215,376	\$ 1,269,209
Amanita		
Acquisition and holding costs	\$ 58,090	\$ 44,960
Evaluation expenditures	142,315	2,485
	\$ 200,405	\$ 47,445
Dome Hill		
Acquisition and holding costs	\$ 1,285	\$ 14,375
	\$ 1,285	\$ 14,375
Jungo (Formerly known as Shawnee Creek)		
Acquisition and holding costs	\$ 41,964	\$ 36,197
	\$ 41,964	\$ 36,197
Black Raven		
Acquisition and holding costs	\$ -	\$ -
Evaluation expenditures	2,074	-
	\$ 2,074	\$ -
Labrador West		
Acquisition and holding costs	\$ 692,771	\$ -
Evaluation expenditures	4,544	-
	\$ 697,315	\$ -
Other Properties		
Evaluation expenditures	\$ -	\$ 4,858
TOTAL EXPLORATION AND EVALUATION EXPENDITURES	\$ 1,158,419	\$ 1,372,084

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16. 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.

Flow-through commitment

The Corporation is obligated to spend CDN\$362,000 (US\$270,174) by December 31, 2019 for the issuance of flow-through shares by High Tide Resources Corp. As at September 30, 2019, the Corporation had spent CDN\$170,797 (US\$129,362) and is obligated to spend an additional CDN\$191,203 (US\$144,817). The flow-through agreements require the Corporation to renounce certain tax deductions for Canadian exploration expenditures incurred on the Corporation's mineral properties to flow-through participants. The Corporation indemnified the subscribers for any related tax amounts that become payable by the subscribers as a result of the Corporation not meeting its expenditure commitments.