



Consolidated Financial Statements

AVIDIAN GOLD CORP.

For the years ended June 30, 2019 and 2018

(Expressed in US dollars)



Independent Auditor's Report

To the Shareholders of Avidian Gold Corp.

Opinion

We have audited the consolidated financial statements of Avidian Gold Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2019 and 2018, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Koko Yamamoto.

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
October 28, 2019

AVIDIAN GOLD CORP.

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AVIDIAN GOLD CORP.
Consolidated Statements of Financial Position
As at June 30, 2019 and 2018
(Expressed in US Dollars)

	2019	2018
	\$	\$
Assets		
Current		
Cash	754,186	1,921,582
Amounts receivable and prepaids	36,790	101,117
Total current assets	790,976	2,022,699
Non-current assets		
Equipment (Note 7)	123,646	154,618
Mineral exploration interests (Note 6)	497,813	497,813
Total assets	1,412,435	2,675,130
Liabilities		
Current		
Trade payables and accrued liabilities (Note 12)	516,188	527,236
Convertible debenture (Note 14)	-	1,018,551
Total current liabilities	516,188	1,545,787
Non-current liabilities		
Warrant liability (Note 9)	62,390	1,023,168
Convertible debenture (Note 14)	315,496	-
Total liabilities	894,074	2,568,955
Shareholders' Equity		
Issued capital (Note 8(b))	10,264,689	9,302,284
Share-based payment reserve (Note 8(c))	778,217	103,795
Deficit	(10,580,179)	(9,299,904)
Equity attributable to shareholders of the Corporation	462,727	106,175
Non-controlling interest (Note 10)	55,634	-
Total equity	518,361	106,175
Total liabilities and shareholders' equity	1,412,435	2,675,130

NATURE OF BUSINESS AND GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 6, 15, 17 and 18)
SUBSEQUENT EVENTS (Note 18)

APPROVED BY THE BOARD OF DIRECTORS

Original signed by David C. Anderson, Director

Original signed by Dino Titaro, Director

AVIDIAN GOLD CORP.**Consolidated Statements of Operations and Comprehensive Loss**

Years ended June 30, 2019 and 2018

(Expressed in US Dollars)

	<u>2019</u>	<u>2018</u>
	\$	\$
Operating Expenses		
Exploration and evaluation expenditures (Note 14)	2,088,594	2,101,501
General and administrative (Note 13)	562,296	432,493
Convertible debenture interest (Note 14)	45,667	17,710
Accretion (Note 14)	65,365	40,538
Public listing expense (Note 3)	-	403,652
Share-based compensation (Note 8(c))	711,661	32,714
Net (loss) before other gains (losses)	(3,473,583)	(3,028,608)
Foreign exchange gains (losses)	15,787	59,506
Unrealized gain (loss) on warrant revaluation (Note 9)	1,119,516	(5,320)
Unrealized gain (loss) on conversion feature (Note 14)	836,015	(385,058)
Total other gains (losses)	1,971,318	(330,872)
Net loss and comprehensive loss		
for the year	(1,502,265)	(3,359,480)
Net loss and comprehensive loss attributable to:		
Shareholders of the Corporation	(1,487,581)	(3,359,480)
Non-controlling interest (Note 10)	(14,684)	-
Net loss and comprehensive loss		
for the year	(1,502,265)	(3,359,480)
Net loss per share - basic and diluted (Note 11)	(0.03)	(0.07)
Weighted average number of shares		
outstanding - basic and diluted (Note 11)	56,810,451	48,596,093

See accompanying notes to the consolidated financial statements

AVIDIAN GOLD CORP.

Consolidated Statements of Change in Shareholders' Equity

Years ended June 30, 2019 and 2018

(Expressed in US Dollars)

	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, 2017	44,555,085	6,210,598	-	(5,940,424)	270,174	-	270,174
Net loss and comprehensive loss for the period	-	-	-	(3,359,480)	(3,359,480)	-	(3,359,480)
Private placement, net of issue costs (Note 8(b))	9,857,857	3,418,365	33,178	-	3,451,543	-	3,451,543
Value of warrants issued under private placement (Note 9)	-	(773,865)	-	-	(773,865)	-	(773,865)
Share-based compensation (Note 8(c))	-	-	32,714	-	32,714	-	32,714
Shares and options issued for reverse acquisition (Note 3)	1,410,001	372,186	37,903	-	410,089	-	410,089
Shares for property acquisition (Note 15)	207,813	75,000	-	-	75,000	-	75,000
Balance June 30, 2018	56,030,756	9,302,284	103,795	(9,299,904)	106,175	-	106,175
Non-controlling interest on acquisition	-	-	-	207,306	207,306	70,318	277,624
Net loss and comprehensive loss for the period	-	-	-	(1,487,581)	(1,487,581)	(14,684)	(1,502,265)
Rights issue, net of issue costs (Note 8(b))	5,285,962	420,448	-	-	420,448	-	420,448
Options exercised (Note 8(c))	130,000	97,627	(37,239)	-	60,388	-	60,388
Shares issued on debenture conversion	2,304,145	319,330	-	-	319,330	-	319,330
Share-based compensation (Note 8(c))	-	-	711,661	-	711,661	-	711,661
Shares for property acquisition (Note 15)	400,098	125,000	-	-	125,000	-	125,000
Balance June 30, 2019	64,150,961	10,264,689	778,217	(10,580,179)	462,727	55,634	518,361

See accompanying notes to the consolidated financial statements

AVIDIAN GOLD CORP.

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

(Expressed in US Dollars)

	2019	2018
	\$	\$
Operating activities		
Net loss for the year	(1,502,265)	(3,359,480)
Items not involving cash:		
Amortization (Note 7)	30,972	23,306
Accretion	65,365	40,538
Unrealized foreign exchange loss (gain)	(5,941)	(4,240)
Unrealized (gain) loss on warrant revaluation	(1,119,516)	5,320
Unrealized (gain) loss on conversion feature	(836,015)	385,058
Shares issued for property acquisition	125,000	75,000
Subsidiary shares issued for property acquisition	7,450	-
Public listing expense	-	403,652
Share-based compensation	711,661	32,714
	(2,523,289)	(2,398,132)
Changes in non-cash working capital		
Decrease in amounts receivable and prepaids	64,327	123,549
(Decrease) increase in trade payables and accrued liabilities	10,760	35,526
Change in non-cash operating working capital	75,087	159,075
Net cash flows from operating activities	(2,448,202)	(2,239,057)
Investing activities		
Purchase of equipment	-	(114,544)
Net cash flows from investing activities	-	(114,544)
Financing activities		
Proceeds from issuance of shares (Note 8(b))	442,838	3,603,380
Share issue costs	(22,390)	(185,015)
Proceeds from issuance of convertible debentures	529,796	-
Proceeds from issuance of subsidiary shares	270,174	-
Exercise of stock options (Note 8(c))	60,388	-
Net cash flows from financing activities	1,280,806	3,418,365
(Decrease) increase in cash	(1,167,396)	1,064,764
Cash, beginning of period	1,921,582	856,818
Cash, end of period	754,186	1,921,582
Supplemental information		
Shares issued on reverse takeover	\$ -	\$ 372,186
Options issued on reverse takeover	-	37,903
Shares issued on debt conversion	319,330	-
Shares issued for property	132,450	75,000

See accompanying notes to the consolidated financial statements

AVIDIAN GOLD CORP.

Notes to the Consolidated Financial Statements

June 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 moved on November 1, 2018 and is now located at 18 King Street East, Suite #902, Toronto, Ontario, M5C 1C4. 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 corporation 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 June 30, 2019, the Corporation has acquired the rights to explore four gold properties in the United States of America and has majority ownership of High Tide Resources Corp. which holds the right to explore two properties in Newfoundland, Canada. See also Note 18.

The consolidated financial statements of the Corporation for the year ended June 30, 2019 were reviewed, approved and authorized for issue by the Board of Directors October 28, 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.

AVIDIAN GOLD CORP.

Notes to the Consolidated Financial Statements

June 30, 2019 and 2018
(Expressed in US dollars – except where otherwise indicated)

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 year ended June 30, 2019 attributable to shareholders of the Corporation of \$1,487,581, and has an accumulated deficit of \$10,580,179. 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. Subsequent to June 30, 2019, the Corporation completed a private placement for CDN\$2,048,076 (US\$1,564,934). See Note 18.

These 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, copper and other mineral 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

These consolidated financial statements of the Corporation and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") effective for the Corporation's reporting for the year ended June 30, 2019.

Basis of presentation

These consolidated financial statements have been prepared on an accrual basis except for cash flow information. These consolidated financial statements are based on historical costs except for those financial instruments carried at fair value and, except where otherwise stated, do not take into account changing money values, fair values of assets and liabilities or recoverable amounts. The policies set out below have been consistently applied to all periods presented.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Corporation and its subsidiaries. Subsidiaries consists of entities over which the Corporation is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Corporation and are deconsolidated from the date control ceases.

AVIDIAN GOLD CORP.

Notes to the Consolidated Financial Statements

June 30, 2019 and 2018
(Expressed in US dollars – except where otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The financial statements include all assets, liabilities, revenues, expenses, and cash flow of the Corporation and its subsidiaries after eliminating inter-entity balances and transactions.

For non-wholly owned, controlled subsidiaries, the net assets attributable to outside equity shareholders are presented as “non-controlling interests” in the equity section of the consolidated statement of financial position. Loss for the period that is attributable to non-controlling interests is calculated based on the ownership of the minority shareholders in the subsidiary.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Gains or losses on disposals to non-controlling interests are also recorded in equity.

The following companies have been consolidated within the consolidated financial statements:

Company	Registered	Principal activity
Avidian Gold Corp. ("Avidian")	British Columbia, Canada	Parent Company
Avidian Gold Inc. ("Avidian Inc") ⁽¹⁾	Ontario, Canada	Operating Company
Avidian Gold US Inc. ⁽²⁾⁽⁴⁾ ("Avidian US")	Nevada, USA	Operating Company
Avidian Gold Alaska Inc. ⁽²⁾⁽⁴⁾ ("Avidian Alaska US")	Alaska, USA	Operating Company
High Tide Resources Corp. ("HTR Corp"). ⁽³⁾⁽⁷⁾	Ontario, Canada	Operating Company
High Tide Resources Inc. ("HTR"). ⁽²⁾⁽⁶⁾	Nova Scotia, Canada	Dormant Company

(1) 100% owned by Avidian Gold Corp.

(2) 100% owned by Avidian Gold Inc.

(3) 73% owned by Avidian Gold Corp.

(4) Incorporated June 23, 2011

(5) Incorporated as at July 19, 2016

(6) Incorporated as at March 27, 2007

(7) Incorporated as at October 18, 2018

Presentation and functional currency

These consolidated financial statements are presented in the functional currency of United States dollars ("US"), the currency of the primary economic environment in which the Corporation is currently operating.

Critical accounting judgements and estimation uncertainties

The preparation of 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
June 30, 2019 and 2018
(Expressed in US dollars – except where otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (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 and has been determined to be the United States (US) dollar.

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 14.

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.

AVIDIAN GOLD CORP.
Notes to the Consolidated Financial Statements
June 30, 2019 and 2018
(Expressed in US dollars – except where otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of mineral exploration interests (continued)

Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates may 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 17.

Cash

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

Financial instruments

Accounting policy under IFRS 9 applicable from July 1, 2018

Financial assets and liabilities

Effective July 1, 2018, the Corporation adopted IFRS 9, Financial Instruments with respect to financial assets and financial liabilities.

AVIDIAN GOLD CORP.
Notes to the Consolidated Financial Statements
June 30, 2019 and 2018
(Expressed in US dollars – except where otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either FVPL or FVOCI, and “financial assets at amortized costs”, as appropriate. The Corporation determines the classification of financial assets at the time of initial recognition based on the Corporation’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Cash and other accounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of operations and comprehensive loss.

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations and comprehensive loss. The Corporation does not have any financial assets at FVPL or FVOCI.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Corporation has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Corporation does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of operations and comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Corporation no longer retains substantially all the risks and rewards of ownership.

AVIDIAN GOLD CORP.
Notes to the Consolidated Financial Statements
June 30, 2019 and 2018
(Expressed in US dollars – except where otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

The Corporation's only financial assets subject to impairment are other accounts receivable, which are measured at amortized cost. The Corporation has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due.

An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Corporation has opted to measure the financial liability at FVPL. The Corporation's financial liabilities include trade payables, which are measured at amortized cost. The warrant liability and convertible debt conversion option are recorded at FVPL. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of operations and comprehensive loss.

Subsequent measurement – Financial liabilities at FVPL

Financial liabilities measured at FVPL include financial liabilities management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial liabilities measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in the consolidated statements of operations. The Corporation's conversion option component of the convertible debentures and warrant liability are classified as financial liabilities at FVPL.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of operations and comprehensive loss.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Accounting policy under IAS 39 applicable prior to July 1, 2018

The accounting policy under IAS 39 for the comparative information presented in respect of financial assets and liabilities, was as follows:

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, 2019 and 2018, the Corporation's financial assets are comprised of cash and amounts receivable.

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

Cash and amounts 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment (continued)

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

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.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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 included in profit or loss as extraction progresses.

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.

Flow-through Shares

The Corporation may, from time to time, issue flow through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource properties to investors. On the date of issuance of the flow-through shares, the premium relating to the proceeds received in excess of the fair value of the Corporation's common shares is allocated to premium on flow-through shares liability. If renouncement is retrospective, the Corporation derecognizes the premium liability when the paperwork to renounce is filed. If the renouncement is prospective, the Corporation derecognizes the premium liability as qualifying flow-through expenditures are incurred. The reduction to the premium liability in the period of renunciation is recognized through operations.

The Corporation may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the lookback rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is reflected as a financial expense.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 any asset.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The conversion option component of a compound financial instrument is subsequently revalued every reporting period using market-based valuation techniques. Gains and losses from changes in fair value are recorded in the consolidated statement of operations.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after July 1, 2019. Many are not applicable or do not have a significant impact to the Corporation and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Corporation.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting changes

IFRS 9, Financial Instruments

Effective July 1, 2018, the Corporation adopted IFRS 9, *Financial Instruments*, which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in both standards, the Corporation adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at July 1, 2018. There were no material effects on opening balances at July 1, 2018 with respect to the adoption of these policies.

IFRS 9 replaces International Accounting Standard (“IAS”) 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss (“FVPL”) or through other comprehensive income (“FVOCI”); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

Upon adoption of IFRS 9, the two main changes in the Corporation’s accounting policy on financial instruments are: i) equity investments previously classified as available-for-sale are now classified as financial assets measured at FVOCI and ii) derivative instruments previously held for trading now qualify for hedge accounting, including the Corporation’s commodity swap and option contracts, to the extent they comply with the IFRS 9 criteria for hedge accounting.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Corporation’s financial instruments:

	Financial instrument classification	
	Under IAS 39	Under IFRS 9
Financial assets		
Cash	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Financial liabilities		
Trade payables and accrued liabilities	Other financial liabilities	Amortized cost
Convertible debenture - liability	Other financial liabilities	Amortized cost
Convertible debenture – derivative liability	Fair value through profit and loss	Fair value through profit and loss
Warrant liability	Fair value through profit and loss	Fair value through profit and loss

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Corporation adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended June 30, 2018 was accounted for in accordance with the Corporation's previous accounting policy under IAS 39.

Significant accounting policies which outline the current and previous accounting policies pertaining to financial instruments.

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.

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 public listing expense in the amount of \$403,652 is comprised of the net working capital, the fair value of common shares and options of the Corporation retained by the former shareholders of the Corporation, as well as other direct expenses of the Transaction. The options 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%.

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.

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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 June 30, 2019, totaled \$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.

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 years ended June 30, 2019 and 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 June 30, 2019, 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).

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5. FINANCIAL RISK FACTORS (continued)

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 June 30, 2019 and June 30, 2018. 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.

The Corporation generates cash flow primarily from its financing activities. As at June 30, 2019, the Corporation had cash of \$754,186 to settle current liabilities of \$516,188. 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 accounts payable balance of \$516,188 to be settled with cash. See Note 14 for details on the convertible debt.

All of the Corporation's current financial liabilities as at June 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 June 30, 2019, the Corporation holds in cash the following amounts (reported in US\$ currency) in Canadian ("CDN") and US funds respectively: \$712,162 and \$42,024 (2018 - \$1,916,119 and \$5,463) and has convertible debt with a face value of CDN\$708,000 and accrued interest of CDN\$28,863 at June 30, 2019 (2018 – CDN\$250,000 and CDN\$45,273).

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5. FINANCIAL RISK FACTORS (continued)

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 June 30, 2019 and 2018, 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 year ended June 30, 2019:

- (i) As at June 30, 2019, if foreign exchange rates had decreased/increased by 1% with all other variables held constant, the loss for the year ended June 30, 2019 would have changed by \$15,663 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 debentures (see Note 14) is impacted by the current fair value of the Corporation's common shares. For the year ended June 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 \$8,445.
- (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 June 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). |

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5. FINANCIAL RISK FACTORS (continued)

Market risk (continued)

At June 30, 2019 and 2018, the Corporation did not hold any financial assets in the fair value hierarchy.

At June 30, 2019 and 2018, 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, 2019 and 2018.

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 Note 14). A +/- 25% change in the fair value of these Level 3 liabilities as at June 30, 2019 will result in a corresponding +/- \$28,618.

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 majority controlled subsidiary High Tide Resources Corporation.

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7. EQUIPMENT

Cost	Equipment
Balance, June 30, 2017	\$ 64,458
Additions	114,544
Disposals	-
Balance, June 30, 2018	179,002
Additions	-
Disposals	-
Balance, June 30, 2019	\$ 179,002
Amortization and impairment	Equipment
Balance, June 30, 2017	\$ 1,078
Amortization	23,306
Disposals	-
Balance, June 30, 2018	24,384
Amortization	30,972
Disposals	-
Balance, June 30, 2019	\$ 55,356
Carrying amounts	
Balance, June 30, 2018	\$ 154,618
Balance, June 30, 2019	\$ 123,646

8. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares, with no par value.

(b) Issued

- (i) 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)

- (ii) 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.
- (iii) 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 15.
- (iv) 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 CDN\$500,000.
- (v) 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).
- (vi) On December 20, 2018, the Corporation issued 460,829 shares for the conversion of a CDN\$50,000 convertible debenture. See Note 14.
- (vii) 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 14.
- (viii) On May 22, 2019, the Corporation issued 1,843,316 shares for the conversion of CDN \$200,000 convertible debentures. See Note 14.
- (ix) 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.

(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.

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.

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8. SHARE CAPITAL (continued)

(c) Share-based payment reserve (continued)

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 \$659,547 was recorded in the year ended June 30, 2019 for these options of which \$497,157 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 \$34,043 was recorded in the year ended June 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 \$13,604 was recorded in the year ended June 30, 2019.

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 \$4,467 was recorded in the year ended June 30, 2019.

Share based payment activity for the years ended June 30, 2019 and 2018 is summarized as follows:

	Number of stock options	Weighted average exercise price (CDN)
		\$
Balance, June 30, 2017	-	-
Deemed issuance (Note 3)	173,125	0.300
Granted	300,000	0.760
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

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8. SHARE CAPITAL (continued)

(c) Share-based payment reserve (continued)

Summary of options outstanding as at June 30, 2019:

Options #	Number of non-vested options	Number of vested options	Exercise price CDN \$	Grant date fair value of options \$	Expiry date
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
2,635,000	940,000	1,695,000	0.60	742,084	August 15, 2023
125,000	-	125,000	0.60	35,203	August 15, 2021
150,000	150,000	-	0.60	35,904	November 15, 2023
100,000	100,000	-	0.30	18,435	February 4, 2024
3,483,125	1,190,000	2,293,125		902,243	

As of June 30, 2019, of the options outstanding there are 2,293,125 that are fully vested and exercisable. The weighted average remaining time to expiry for all outstanding options as of June 30, 2019 is 3.67 years.

During the year ended June 30, 2019, 2,230,000 stock options were granted to directors and officers of the Corporation (2018 – nil). The stock based compensation related to the options issued is \$515,228 (2018 – \$nil).

9. WARRANTS

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.

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

	Warrant liability \$
June 30, 2017	262,759
Warrant issuance	773,865
Warrant revaluation	5,320
Change in foreign exchange	(18,776)
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

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9. WARRANTS (continued)

The following is a summary of warrant activity for the years ended June 30, 2019 and June 30, 2018:

	June 30, 2019		June 30, 2018	
	Number	Weighted average exercise price CDN\$	Number	Weighted average exercise price CDN\$
Balance, beginning of year	6,832,483	0.76	1,736,175	0.76
Granted in connection with private placements	-	-	5,096,308	0.76
Granted in connection with convertible debenture	1,770,000	0.40	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Balance, end of year	8,602,483	0.69	6,832,483	0.76

- a) In connection with the August 2017 private placement disclosed in Note 8(b), 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, 2019, the warrants were revalued using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0% (2018 – 0%), expected volatility based on historical volatility of 120% (2018 – 120%), a risk free interest rate of 0.73% (2018 – 0.73%), share price of CDN\$0.095 (2018 – CDN\$0.52) and an expected maturity of 0.14 years (2018 – 1.14 years).
- b) In connection with the June 2018 private placement disclosed in Note 8(b), 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, 2019, the warrants were revalued using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0% (2018 – 0%), expected volatility based on historical volatility of 120% (2018 – 120%), a risk free interest rate of 1.52% (2018 – 1.77%), share price of CDN\$0.095 (2018 – CDN\$0.52) and an expected maturity of 0.99 years (2018 – 2 years).
- c) 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.

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9. WARRANTS (continued)

- d) In connection with the February 2019 convertible debenture issuance disclosed in Note 13, 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 June 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\$0.095 and an expected maturity of 2.66 years.

Summary of warrants outstanding as at June 30, 2019:

<u>Warrants</u>	<u>Classification</u>	<u>Exercise price</u>	<u>Grant date fair value of warrants</u>	<u>Expiry date</u>
#		CDN\$	\$	
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	33,178	June 28, 2020
<u>1,770,000</u>	Liability	0.40	<u>161,588</u>	February 25, 2022
8,602,483			1,231,390	

10. NON-CONTROLLING INTEREST

The amount shown for non-controlling interest on the consolidated statements of financial position is in relation to a non-controlling interest ownership (approximately 27%) 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. See Note 15. The issuance of these shares resulted in a balance of \$70,318 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 consolidated statements of operations and are charged as a reduction to the non-controlling interest account on the consolidated statement of financial position.

11. BASIC AND DILUTED NET LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended June 30, 2019 was based on the loss attributable to common shareholders of \$1,487,581 (2018 - \$3,359,480) and the weighted average number of common shares outstanding of 56,810,451 (2018 - 48,596,093).

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 periods ended June 30, 2019 and 2018.

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12. RELATED PARTY TRANSACTIONS

a) The remuneration of key management personnel is comprised of

	June 30, 2019	June 30, 2018
Wages and benefits	\$ 69,993	\$ -
Consulting fees	67,497	-
Share-based compensation	515,228	-

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

b) See Notes 8(b), (c), Note 14 and Note 18.

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

13. GENERAL AND ADMINISTRATIVE

	June 30, 2019	June 30, 2018
Amortization (Note 7)	\$ 30,972	\$ 23,306
Corporate relations	149,313	-
Occupancy costs	3,600	3,632
Office supplies, bank charges and telephone	30,222	21,199
Professional fees and transfer agent	209,394	255,882
Travel and promotion	66,409	128,474
Wages and benefits	72,386	-
	\$ 562,296	\$ 432,493

14. CONVERTIBLE DEBT

On June 1, 2016, the Corporation closed an unsecured convertible debenture financing ("2016 Debenture") 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.

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.

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14. CONVERTIBLE DEBT (continued)

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 2016 Debenture is 43.10% and 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 2016 Debenture 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 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 statement of operations and comprehensive loss and a credit to convertible note. For the year ended June 30, 2019, \$65,365 (2018 - \$40,538) of finance expense from the debt discount was recorded by the Corporation.

On December 20, 2018, a total of CDN\$50,000 of the 2016 Debenture was converted into 460,829 common shares of the Corporation.

On May 24, 2019, the remaining CDN\$200,000 of the 2016 Debenture was converted into 1,843,316 common shares of the Corporation.

The fair value of the conversion option component of the CDN\$708,000 2019 Debenture outstanding as at June 30, 2019 was estimated as \$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\$0.095, and an expected life of 2.66 years.

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14. CONVERTIBLE DEBT (continued)

The fair value of the conversion option component of the remaining CDN\$250,000 2016 Debenture outstanding as at June 30, 2018 was estimated as \$868,678 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 130% based on the historical volatility of comparable entities, risk free interest rate of 0.73%, share price of CDN\$0.52, and an expected life of 0.90 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, 2017	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)
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

At June 30, 2019, the face value of the outstanding convertible debentures 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 subsequent to year end)

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 "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 Corporation did not renew the lease subsequent to year end.

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 subsequent to year end.

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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

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

	June 30, 2019	June 30, 2018
Golden Zone		
Acquisition and holding costs	\$ 280,716	\$ 145,905
Evaluation expenditures	1,642,001	1,873,638
	\$ 1,922,717	\$ 2,019,543
Amanita		
Acquisition and holding costs	\$ 45,208	\$ 46,000
Evaluation expenditures	2,485	-
	\$ 47,693	\$ 46,000
Jungo (Formerly known as Shawnee Creek)		
Acquisition and holding costs	\$ 36,197	\$ 39,249
Evaluation expenditures	-	300
	\$ 36,197	\$ 39,549
Dome Hill		
Acquisition and holding costs	\$ 14,745	\$ 16,920
Evaluation expenditures	-	-
	\$ 14,745	\$ 16,920
Black Raven		
Acquisition and holding costs	\$ 26,069	\$ -
Evaluation expenditures	32,491	-
	\$ 58,560	\$ -
Other Properties		
Evaluation expenditures (recovery)	\$ 8,682	\$ (20,511)
TOTAL EXPLORATION AND EVALUATION EXPENDITURES	\$ 2,088,594	\$ 2,101,501

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16. INCOME TAXES

The Corporation utilizes the asset and liability method of accounting for incomes taxes. The estimated taxable income for the years ended June 30, 2019 and 2018 is \$Nil. Based upon the level of historical taxable income, it cannot be reasonably determined if the Corporation will realize deferred income tax assets.

(a) Provision for income taxes

Major items causing the Corporation's effective income tax rate to differ from the combined statutory rate of 18% (2018 – 20%) were as follows:

	2019 \$	2018 \$
(Loss) before income taxes	(1,502,265)	(3,359,480)
Expected income tax recovery based on statutory rate	292,000	673,000
Adjustment to expected income tax benefit:		
Expenses not deductible for tax purposes	(9,000)	(14,000)
Other	360,000	15,000
Change in benefit of tax assets not recognized	(643,000)	(674,000)
<u>Deferred income tax provision (recovery)</u>	<u>-</u>	<u>-</u>

(b) Deferred income taxes

Recognized deferred tax assets and liabilities are as follows:

	2019 \$	2018 \$
Canada		
Mineral exploration property costs	(20,000)	(22,000)
Other	(361,000)	(219,000)
Non-capital loss carry-forwards	381,000	241,000
<u>Total</u>	<u>-</u>	<u>-</u>

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16. INCOME TAXES (continued)

(b) Deferred income taxes (continued)

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2019	2018
	\$	\$
Canada		
Non-capital loss carry-forwards	2,824,000	2,629,000
Share issue costs	139,000	166,000
Mineral exploration property costs	53,000	45,000
Other	-	14,000
Total	3,016,000	2,854,000
United States		
Non-capital loss carry-forwards	7,481,000	5,420,000
Decommissioning liability	-	-
Other	55,000	24,000
Total	7,536,000	5,444,000

The Corporation has approximately \$4,185,000 (CDN \$5,487,000) (2018 - \$3,457,000, CDN \$4,540,000) of non-capital losses in Canada, \$7,481,000 (2018 - \$5,420,000) of non-capital losses in the United States as at June 30, 2019, which under certain circumstances can be used to reduce the taxable income of future years. The non-capital losses in the United States do not expire.

The non-capital losses in Canada will expire as follows:

2032	\$ 29,000
2033	93,000
2034	133,000
2035	190,000
2036	246,000
2037	1,783,000
2038	1,004,000
2039	707,000
Total	\$ 4,185,000

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16. INCOME TAXES (continued)

(b) Deferred income taxes (continued)

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Corporation can use the benefits.

(c) Canadian development and exploration expenditures

The Corporation has approximately \$551,000 (CDN\$691,000) of Canadian development and exploration expenditures as at June 30, 2019 (2018 - \$544,000, CDN\$681,000) which under certain circumstances can be used to reduce taxable income in future years.

17. CONTINGENCIES

Environmental contingencies

The Corporation's exploration activities are subject to various 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 June 30, 2019, the Corporation had spent CDN \$67,502 (US \$51,005) and is obligated to spend an additional CDN\$294,498 (US \$219,169). 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.

18. SUBSEQUENT EVENTS

- (a) On August 26, 2019, the Corporation granted 3,600,000 stock options to certain members of management, directors and consultants of the Corporation. The options are exercisable into common shares of the Corporation at an exercise price of CDN\$0.20 per share and have a five-year term to maturity. All of the options vest in equal one-third tranches on the first, second and third year anniversary date of the grant.
- (b) On August 16, 2019, the Corporation closed a private placement for gross proceeds of CDN\$2,048,076 (US\$1,564,934). A total of 20,480,768 common shares were issued at a price of CDN\$0.10 per share. Officers and directors of the Corporation subscribed for 350,000 common shares for gross proceeds of CDN\$35,000.

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18. SUBSEQUENT EVENTS (continued)

- (c) On August 28, 2019, High Tide Resources Corp. (“High Tide”), a 73-per-cent-owned 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 Goethite Bay 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%.

- (d) On August 21, 2019, a total of 3,432,603 warrants of the Corporation expired.