

*Condensed Interim Consolidated Financial Statements*

**AVIDIAN GOLD INC.**

*For the three and six months ended December 31, 2016 and 2015*

*(Expressed in US dollars - unaudited)*

# **AVIDIAN GOLD INC.**

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# AVIDIAN GOLD INC.

## Condensed Interim Consolidated Statements of Financial Position

(Expressed in US Dollars - Unaudited)

	As at December 31, 2016	As at June 30, 2016
	\$	\$
<b>Assets</b>		
Current		
Cash	201,304	532,088
Amounts receivable and prepaids	22,324	24,731
Total current assets	223,628	556,819
Non-current liabilities		
Equipment (Note 6)	889	1,481
Reclamation bond receivable (Note 13)	27,080	27,080
Mineral exploration interests (Note 5)	497,813	497,813
Total assets	749,410	1,083,193
<b>Liabilities</b>		
Current		
Trade payable and accrued liabilities (Note 9(d) and 9(e))	52,271	62,794
Non-current liabilities		
Convertible debenture (Note 11)	520,529	607,043
Decommissioning liability (Note 13)	28,600	28,600
Total liabilities	601,400	698,437
<b>Shareholders' Equity</b>		
Issued capital (Note 7(b))	4,926,144	3,037,120
Share-based payment reserve (Note 7(c))	-	338,920
Deficit	(4,778,134)	(2,991,284)
Total shareholders' equity	148,010	384,756
Total liabilities and shareholders' equity	749,410	1,083,193

**NATURE OF BUSINESS AND GOING CONCERN** (Note 1)

**COMMITMENTS AND CONTINGENCIES** (Notes 12 and 14)

**SUBSEQUENT EVENTS** (Note 15)

APPROVED BY THE BOARD OF DIRECTORS

Original signed by Victor H. Bradley, Director

Original signed by David Anderson, Director

See accompanying notes to the condensed interim consolidated financial statements

**AVIDIAN GOLD INC.****Condensed Interim Consolidated Statements of Operations and Comprehensive Loss**

(Expressed in US Dollars - Unaudited)

	<b>For the three months ended December 31, 2016</b>	For the three months ended December 31, 2015	<b>For the six months ended December 31, 2016</b>	For the six months ended December 31, 2015
	\$	\$	\$	\$
<b>Operating Expenses</b>				
Exploration and evaluation expenditures (Note 12)	<b>40,306</b>	91,542	<b>1,266,336</b>	213,591
General and administrative (Note 10)	<b>65,374</b>	33,626	<b>113,931</b>	62,432
Foreign exchange losses	<b>4,542</b>	1,833	<b>7,496</b>	24,416
Convertible debenture interest (Note 11)	<b>3,467</b>	-	<b>42,230</b>	-
Accretion (Note 11)	<b>8,517</b>	-	<b>30,917</b>	-
Share-based compensation	-	328,703	-	328,703
Unrealized loss on conversion feature (Note 11)	<b>329,773</b>	-	<b>325,940</b>	-
<b>Net loss and comprehensive loss for the period</b>	<b>451,979</b>	455,704	<b>1,786,850</b>	629,142
<b>Net loss per share - basic and diluted (Note 8)</b>	<b>0.01</b>	0.01	<b>0.03</b>	0.01
<b>Weighted average number of shares outstanding - basic and diluted (Note 8)</b>	<b>84,074,079</b>	50,686,406	<b>71,081,385</b>	50,665,625

See accompanying notes to the condensed interim consolidated financial statements

# AVIDIAN GOLD INC.

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

(Expressed in US Dollars - unaudited)

	Number of shares	Share capital \$	Share-Based Payment Reserve \$	Deficit \$	Shareholders' Equity \$
<b>Balance June 30, 2015</b>	<b>50,650,781</b>	<b>3,021,636</b>	<b>28,433</b>	<b>(2,216,476)</b>	<b>833,593</b>
Net loss and comprehensive loss for the period	-	-	-	(629,142)	(629,142)
Share-based compensation	-	-	328,703	-	328,703
Shares issued for services (Note 7(b))	35,625	2,764	-	-	2,764
<b>Balance December 31, 2015</b>	<b>50,686,406</b>	<b>3,024,400</b>	<b>357,136</b>	<b>(2,845,618)</b>	<b>535,918</b>
Net loss and comprehensive loss for the period	-	-	-	(145,666)	(145,666)
Share-based compensation	-	-	(18,216)	-	(18,216)
Shares issued for services (Note 7(b))	220,480	12,720	-	-	12,720
<b>Balance June 30, 2016</b>	<b>50,906,886</b>	<b>3,037,120</b>	<b>338,920</b>	<b>(2,991,284)</b>	<b>384,756</b>
Net loss and comprehensive loss for the period	-	-	-	(1,786,850)	(1,786,850)
Options exercised (Note 7(c))	10,826,250	555,571	(338,920)	-	216,651
Shares issued on debenture conversion (Note 11)	10,880,000	422,488	-	-	422,488
Shares issued for accrued interest on debentures converted (Note 11)	870,400	33,070	-	-	33,070
Shares for property acquisition (Note 12)	7,750,000	596,154	-	-	596,154
Shares issued for services (Note 7(b))	300,000	13,435	-	-	13,435
Private placement, net of issue costs (Note 7(b))	3,810,000	268,306	-	-	268,306
<b>Balance December 31, 2016</b>	<b>85,343,536</b>	<b>4,926,144</b>	<b>-</b>	<b>(4,778,134)</b>	<b>148,010</b>

See accompanying notes to the condensed interim consolidated financial statements

# AVIDIAN GOLD INC.

## Condensed Interim Consolidated Statements of Cash Flows

(Expressed in US Dollars - unaudited)

	For the six months ended December 31, 2016 \$	For the six months ended December 31, 2015 \$
<b>Operating activities</b>		
Net loss for the period	(1,786,850)	(629,142)
Items not involving cash:		
Amortization (Note 6)	592	247
Accretion	30,917	-
Accrued interest	9,160	-
Unrealized foreign exchange gain	(30,043)	-
Unrealized loss on conversion feature	325,940	-
Shares issued for property acquisition	596,154	-
Shares issued for settlement of interest	33,070	-
Shares issued for services	29,470	2,764
Share-based compensation	-	328,703
	<b>(791,590)</b>	<b>(297,428)</b>
Changes in non-cash working capital		
Decrease in amounts receivable and prepaids	2,407	15,870
(Decrease) in trade payables and accrued liabilities	(10,524)	(74,929)
Change in non-cash operating working capital	<b>(8,117)</b>	<b>(59,059)</b>
Net cash flows from operating activities	<b>(799,707)</b>	<b>(356,487)</b>
<b>Financing activities</b>		
Proceeds from issuance of shares (Note 7(b))	279,855	-
Share issue costs	(11,549)	-
Exercise of stock options	200,617	-
Net cash flows from financing activities	<b>468,923</b>	-
Decrease in cash	<b>(330,784)</b>	<b>(356,487)</b>
Cash, beginning of period	<b>532,088</b>	<b>405,231</b>
<b>Cash, end of period</b>	<b>201,304</b>	<b>48,744</b>

See accompanying notes to the condensed interim consolidated financial statements

# **AVIDIAN GOLD INC.**

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

**For the three and six months ended December 31, 2016 and 2015**

**(Expressed in US dollars - unaudited)**

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### **1. DESCRIPTION OF BUSINESS**

Avidian Gold Inc. (“Avidian” or the “Corporation”) was incorporated by articles of incorporation dated June 22, 2011 under the Business Corporations Act (Ontario). Avidian is a private company. The Corporation's principal business activity is mineral exploration. The registered head office of the Corporation is located at 390 Bay Street, Suite #806, Toronto, Ontario, M4H 2Y2.

Avidian is in the business of acquiring and exploring gold projects. As of December 31, 2016, the Corporation has acquired the rights to explore four gold properties in the United States of America and has acquired all the issued and outstanding shares of High Tide Resources Inc. which holds the right to explore a volcanogenic massive sulfide (“VMS”) property in Newfoundland, Canada.

Although the Corporation has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Corporation's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Corporation's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and currency exchange fluctuations and restrictions.

The Corporation's property interests are at an early stage of exploration and, in common with many exploration companies, it raises financing for its exploration and appraisal activities in discrete tranches. The Corporation has incurred a loss for the period ended December 31, 2016 of \$1,786,850 and has an accumulated deficit of \$4,778,134. The Corporation has a working capital balance of \$171,357 at December 31, 2016. 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 project. These circumstances indicate the existence of material uncertainty which cast significant doubt as to the ability of the Corporation to meet its business plan and obligations as they come due, and accordingly, the appropriateness of the use of the accounting principles applied to a going concern.

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 projects and ultimately, to achieve profitable operations. The success of these endeavours cannot be predicted at this time. The consolidated financial statements do not reflect adjustments to the carrying values and classification of assets and liabilities that might be necessary should the Corporation be unable to continue as a going concern, and such adjustments may be material.

# AVIDIAN GOLD INC.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended December 31, 2016 and 2015

(Expressed in US dollars - unaudited)

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### 2. SIGNIFICANT ACCOUNTING POLICIES

#### *Statement of compliance*

The condensed interim consolidated financial statements of the Corporation have been prepared in accordance with the International Accounting Standards (“IAS”) 34, Interim Financial Reporting issued by the International Accounting Standard Board (“IASB”). These condensed interim consolidated financial statements have been prepared in accordance with the accounting policies described in Note 2 of the Corporation’s annual consolidated financial statements as at and for the years ended June 30, 2016 and 2015. Accordingly, these condensed interim consolidated financial statements as at and for the three and six month periods ended December 31, 2016 and 2015 should be read together with the annual consolidated financial statements as at and for the years ended June 30, 2016 and 2015. The condensed interim consolidated financial statements of the Corporation were approved by the Board of Directors on March 21, 2017.

#### *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.

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

#### Functional currency determination

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

#### Assets’ carrying values and impairment charges

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

# AVIDIAN GOLD INC.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended December 31, 2016 and 2015

(Expressed in US dollars - unaudited)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Critical accounting judgements and estimation uncertainties (continued)*

#### 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 has significant measurement uncertainty. See Note 11.

#### Share-based payments

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

#### Impairment of mineral exploration interests

While assessing whether any indications of impairment exist for mineral exploration interests, consideration is given to both external and internal sources of information. Information the Corporation considers includes changes in the market, economic and legal environment in which the Corporation operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Corporation's mining properties, costs to sell the properties and the appropriate discount rate.

Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Corporation's exploration interests.

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

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company'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 Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company'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.

# AVIDIAN GOLD INC.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended December 31, 2016 and 2015

(Expressed in US dollars - unaudited)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Contingencies*

See Note 14.

#### **Recent accounting pronouncements**

Certain pronouncements were issued by the IASB or the IFRS IC that are mandatory for accounting periods on or after July 1, 2017 or later periods. 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.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IAS 12 – Income Taxes (“IAS 12”) was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument’s holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

# **AVIDIAN GOLD INC.**

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

**For the three and six months ended December 31, 2016 and 2015**

**(Expressed in US dollars - unaudited)**

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### **3. 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 December 31, 2016, totaled \$148,010.

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 changes in the Corporation's approach to capital management during the period ended December 31, 2016. The Corporation and its subsidiaries are not subject to externally imposed capital requirements.

### **4. FINANCIAL RISK FACTORS**

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

#### *Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Corporation's credit risk is attributable to cash. Cash is held with a reputable financial institution, from which management believes the risk of loss to be remote.

# AVIDIAN GOLD INC.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended December 31, 2016 and 2015

(Expressed in US dollars - unaudited)

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#### 4. FINANCIAL RISK FACTORS (continued)

##### *Credit risk (continued)*

Included in amounts receivable is sales tax receivable from government authorities in Canada. Amounts receivable are in good standing as of December 31, 2016 and June 30, 2016. 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 December 31, 2016, the Corporation had cash of \$201,304 to settle current liabilities of \$52,271. The Corporation regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance and liquidity.

All of the Corporation's current financial liabilities as at December 31, 2016 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 December 31, 2016, the Corporation holds in cash the following amounts (reported in US\$ currency) in Canadian ("CDN") and US funds respectively: \$199,753 and \$1,551 (June 30, 2016 - \$462,096 and \$69,992) and has convertible debt with a face value of CDN\$250,000 at December 31, 2016 (June 30, 2016 - CDN\$794,000).

##### Commodity price risk

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

# **AVIDIAN GOLD INC.**

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

**For the three and six months ended December 31, 2016 and 2015**

**(Expressed in US dollars - unaudited)**

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### **4. FINANCIAL RISK FACTORS (continued)**

#### **Sensitivity analysis**

As of December 31, 2016 and June 30, 2016, both the carrying and fair value amounts of the Corporation's current financial instruments are approximately equivalent due to their short-term nature. The sensitivity analysis shown in the notes below may differ materially from actual results. Based on management's knowledge and experience of the financial markets, the Corporation believes the following movements are reasonably possible for the period ended December 31, 2016:

- (i) As at December 31, 2016, if foreign exchange rates had decreased/increased by 1% with all other variables held constant, the loss for the period ended December 31, 2016 would have changed by \$5,200 as a result of lower/higher foreign exchange gains and losses on funds held in foreign currencies and reported shareholders' equity would also not have changed by a material amount.
- (ii) Market risk is the risk that the fair value of, or future cash flows from, the Corporation's financial instruments will significantly fluctuate because of changes in market prices. The fair value of the conversion option component of the Corporation's outstanding convertible debenture (see Note 11) is impacted by the current fair value of the Corporation's common shares. For the six months ended December 31, 2016, 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 \$52,136.
- (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 December 31, 2016, 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).

# **AVIDIAN GOLD INC.**

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

**For the three and six months ended December 31, 2016 and 2015**

**(Expressed in US dollars - unaudited)**

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### **4. FINANCIAL RISK FACTORS (continued)**

#### **Fair value hierarchy and liquidity risk disclosure (continued)**

At December 31, 2016 and June 30, 2016, the Corporation did not hold any financial assets in the fair value hierarchy.

At December 31, 2016 and June 30, 2016, the fair value of the Corporation's financial liability held at fair value, the option component of convertible debenture, is based on Level 3 measurements.

#### Level 3 Hierarchy

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

For the conversion option component of convertible debenture valued based on market-based valuation technique, the inputs can be judgmental (See Note 11). A +/- 25% change in the fair value of these Level 3 liabilities as at December 31, 2016 will result in a corresponding +/- \$108,000.

### **5. MINERAL EXPLORATION INTERESTS**

On June 14, 2013, the Corporation entered into a share exchange agreement whereby the Corporation issued 11,228,137 common shares valued at \$1,103,277 using the estimated fair value of the Corporation's common shares at the time of issue in exchange for all the issued and outstanding shares and warrants of High Tide Resources Inc. The 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 2018. Management has assessed that the property has not been impaired because the core focus is located on the remaining claims.

# AVIDIAN GOLD INC.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended December 31, 2016 and 2015

(Expressed in US dollars - unaudited)

### 6. EQUIPMENT

Cost	Equipment
Balance, June 30, 2015	\$ 4,287
Additions	-
Balance, June 30, 2016	4,287
Additions	-
Balance, December 31, 2016	\$ 4,287

  

Amortization and impairment	Equipment
Balance, June 30, 2015	\$ 2,312
Amortization	494
Balance, June 30, 2016	2,806
Amortization	592
Balance, December 31, 2016	\$ 3,398

  

Carrying amounts	
Balance, June 30, 2016	\$ 1,481
Balance, December 31, 2016	\$ 889

### 7. SHARE CAPITAL

#### (a) Authorized

Unlimited number of common shares, with no par value.

#### (b) Issued

- (i) During the year ended June 30, 2016, the Corporation issued 100,000 shares valued at CDN\$0.05 (US\$0.0376) each for a total value of CDN\$5,000 (US\$3,756) pursuant to an agreement for an exclusivity period in which to conduct due diligence on certain properties in Nevada. In addition, the Corporation issued 156,105 shares valued at CDN\$0.10 (US\$0.075) each for a total value of CDN\$15,611 (US\$11,728) in consideration for geological consulting services.
- (ii) On August 31, 2016, the Corporation issued 300,000 shares for professional services rendered in the amount of \$13,435. A total of 250,000 shares were issued to related parties of the Corporation.
- (iii) On September 14, 2016, the Corporation completed a private placement for 2,000,000 common shares offered at a price of CDN\$0.05 (US\$0.038) per share for total gross proceeds of CDN\$100,000 (US\$76,243). This private placement was subscribed for by a director of the Corporation.

# AVIDIAN GOLD INC.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended December 31, 2016 and 2015

(Expressed in US dollars - unaudited)

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### 7. SHARE CAPITAL (continued)

#### (b) Issued (continued)

- (iv) In December 2016, the Corporation completed a private placement for 1,810,000 common shares offered at a price of CDN\$0.15 (US\$0.112) per share for total gross proceeds of CDN\$271,500 (US\$203,612).

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

On April 30, 2015, the Corporation granted 2,500,000 stock options to an officer of the Corporation to purchase 2,500,000 common shares of the Corporation at an exercise price of CDN\$0.025 (US\$0.021) per share expiring on April 30, 2020. The vesting terms of these options are as follows: 500,000 on the day of grant, 1,000,000 on April 30, 2016 and 1,000,000 on April 30, 2017. The options were valued at \$102,500 using the Black-Scholes pricing model with an expected volatility of 100%, an expected dividend yield of 0%, an expected life of 5 years and a risk free rate of 1.05%. A total of 2,000,000 of these options were forfeited in the year ended June 30, 2016 upon resignation of the officer. A reversal of \$7,349 of share based compensation was recorded in the year ended June 30, 2016 in relation to the forfeited options. During the period ended December 31, 2016 a total of 125,000 options were exercised, no cash was received as the consideration was exploration and evaluation services rendered in the amount of \$2,375. The remaining 375,000 options were exercised for total cash proceeds of \$6,949.

On June 1, 2015, the Corporation granted 100,000 stock options to a consultant of the Corporation to purchase 100,000 common shares of the Corporation at an exercise price of CDN\$0.025 (US\$0.020) per share for five years. These options vested immediately. These options were valued at \$3,267 using the Black-Scholes pricing model with an expected volatility of 100%, an expected dividend yield of 0%, an expected life of 5 years and a risk free rate of 0.90%. During the period ended December 31, 2016 the 100,000 options were exercised for total cash proceeds of \$1,853.

On November 16, 2015, the Corporation granted 10,000,000 stock options to officers, directors, and consultants of the Corporation to purchase 10,000,000 common shares of the Corporation at an exercise price of CDN\$0.025 (US\$0.019) per share expiring on November 30, 2020. The options vested upon issuance. The options were valued at \$310,401 using the Black-Scholes pricing model with an expected volatility of 100%, an expected dividend yield of 0%, an expected life of 5 years and a risk free rate of 1.05%. Share-based compensation expense of \$310,401 was recorded in the year ended June 30, 2016 for these options of which \$248,321 related to stock options granted to officers and directors of the Corporation. During the period ended December 31, 2016 the 9,812,500 options were exercised for total cash proceeds of \$190,110 and 187,500 options were exercised for which the consideration was exploration and evaluation services rendered in the amount of \$13,246.

# AVIDIAN GOLD INC.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 7. SHARE CAPITAL (continued)

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

On January 5, 2016, the Corporation granted a total of 220,000 stock options to property holders in lieu of the annual lease payment to purchase 220,000 common shares of the Corporation at an exercise price of CDN\$0.01 (US\$0.0077) per share for two years. These options vested immediately. These options were valued at \$6,940 using the Black-Scholes pricing model with an expected volatility of 100%, an expected dividend yield of 0%, an expected life of 2 years and a risk free rate of 0.94%. Share-based compensation expense of \$6,940 was recorded in the year ended June 30, 2016 for these options. During the period ended December 31, 2016 the 220,000 options were exercised for total cash proceeds of \$1,705.

On January 5, 2016, the Corporation granted a total of 25,000 stock options to a consultant of the Corporation to purchase 25,000 common shares of the Corporation at an exercise price of CDN\$0.05 (US\$0.0385) per share for two years. These options vested immediately. These options were valued at \$495 using the Black-Scholes pricing model with an expected volatility of 100%, an expected dividend yield of 0%, an expected life of 2 years and a risk free rate of 0.94%. Share-based compensation expense of \$495 was recorded in the year ended June 30, 2016 for these options. During the period ended December 31, 2016 a total of 6,250 options were exercised, no cash was received as the consideration was exploration and evaluation services rendered in the amount of \$413. The remaining 18,750 options were cancelled.

Share based payment activity for the period ended December 31, 2016 is summarized as follows:

	Number of stock options	Weighted average exercise price (CDN)
		\$
<b>Balance, June 30, 2015</b>	<b>2,600,000</b>	<b>0.025</b>
Granted	10,245,000	0.025
Forfeited	(2,000,000)	(0.025)
<b>Balance, June 30, 2016</b>	<b>10,845,000</b>	<b>0.025</b>
Exercised	(10,826,250)	(0.025)
Cancelled	(18,750)	(0.05)
<b>Balance, December 31, 2016</b>	<b>-</b>	<b>-</b>

There are no outstanding options as at December 31, 2016.

### 8. BASIC AND DILUTED NET LOSS PER SHARE

The calculation of basic and diluted loss per share for the six month period ended December 31, 2016 was based on the loss attributable to common shareholders of \$1,786,850 (2015 - \$629,142) and the weighted average number of common shares outstanding of 71,081,385 (2015 - 50,665,625).

The calculation of basic and diluted loss per share for the three month period ended December 31, 2016 was based on the loss attributable to common shareholders of \$451,979 (2015 - \$455,704) and the weighted average number of common shares outstanding of 84,074,079 (2015 - 50,686,406).

# AVIDIAN GOLD INC.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 8. BASIC AND DILUTED NET LOSS PER SHARE (continued)

Diluted loss per share did not include the effect of the stock options disclosed in Note 7(c) and the conversion option feature described in Note 11 as they are anti-dilutive for the periods ended December 31, 2016 and 2015.

### 9. RELATED PARTY TRANSACTIONS

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of the entities outlined below.

The following individuals transacted with the Corporation in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties are unsecured, non-interest bearing, and due on demand, and were no more favourable than those available, or which might reasonably be expected to be available, to similar transactions to non-key management personnel related entities on an arm's length basis.

a) The remuneration of key management personnel is comprised of

	<b>Three months ended December 31, 2016</b>	Three months ended December 31, 2015	<b>Six months ended December 31, 2016</b>	Six months ended December 31, 2015
Fees	\$ -	\$ 32,661	\$ -	\$ 56,730
Share-based compensation	\$ -	\$ 257,628	\$ -	\$ 257,628

b) See Notes 7(b)(ii) and (c) and Note 11.

c) During the six month period ended December 31, 2016, the Corporation incurred \$5,553 (2015 - \$Nil) in expenses and consulting fees in the normal course of operations from a director who is also an officer of the Corporation. As at December 31, 2016, \$Nil is included in accounts payable and accrued liabilities (June 30, 2016 - \$Nil).

d) During the six month period ended December 31, 2016, the Corporation incurred \$32,500 (2015 - \$Nil) in legal expenses in the normal course of operations from an officer of the Corporation. As at December 31, 2016, \$32,500 is included in accounts payable and accrued liabilities (June 30, 2016 - \$Nil)

e) Accounts payable and accrued liabilities as at December 31, 2016 includes \$32,500 (June 30, 2016 - \$19,355) 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.

# AVIDIAN GOLD INC.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 10. GENERAL AND ADMINISTRATIVE

	Three months ended December 31, 2016	Three months ended December 31, 2015	Six months ended December 31, 2016	Six months ended December 31, 2015
Professional fees and transfer agent	\$ 52,405	\$ 26,883	\$ 79,071	\$ 47,516
Office supplies, bank charges and telephone	2,601	1,712	11,772	4,522
Amortization (Note 6)	296	124	592	247
Travel and promotion	4,939	470	12,602	1,278
Occupancy costs	5,133	4,437	9,894	8,869
	\$ 65,374	\$ 33,626	\$ 113,931	\$ 62,432

### 11. CONVERTIBLE DEBT

On June 1, 2016, the Corporation closed a secured convertible debenture financing for CDN\$794,000 (US\$605,275) with an interest rate of 8% per annum payable at maturity. The unsecured convertible debenture has a maturity date of June 1, 2019 and the principal amount and all accrued interest of the convertible debentures are convertible into common shares at CDN\$0.05 (US\$0.038) per share prior to June 1, 2019 at the option of the holder. A total of CDN\$102,500 of the debentures were issued to directors and officers of the Corporation.

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

The Corporation allocated the net proceeds to liability and derivative liability components based on the fair value of the conversion feature (which is an embedded derivative liability requiring separation) and the convertible debentures using the effective interest rate method. The effective interest rate of the convertible note is 43.10% (this is determined by establishing the rate that is required to discount the contractual cash flows back to the carrying amount, as adjusted for transaction costs). The fair value of the derivative liability component was determined to be \$375,271 with a residual amount of \$224,813 allocated to the liability on the date of issuance. The fair value of the conversion option component of the debenture at issuance was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 100%, risk free interest rate of 0.66% and an expected life of 3 years.

The discount on the convertible debentures is amortized using the effective interest method over a period of three years. The Corporation accretes the carrying value of the convertible debentures each month by recognizing an accretion expense in the statement of loss and comprehensive loss and a credit to convertible note. For the six month period ended December 31, 2016, \$30,917 (2015 - \$Nil) of finance expense from the debt discount was recorded by the Corporation.

The fair value of the conversion option component of the CDN\$794,000 convertible debenture at June 30, 2016 was estimated as \$368,829 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 0.52% and an expected life of 2.9 years.

# AVIDIAN GOLD INC.

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### 11. CONVERTIBLE DEBT (continued)

During the six month period ended December 31, 2016, a total of CDN\$544,000 convertible debentures were converted into 10,880,000 common shares of the Corporation, along with 8% interest for one full year which converted into 870,400 common shares of the Corporation. A total of CDN\$102,500 of the converted debentures were held by directors and officers of the Corporation.

The fair value of the conversion option component of the remaining CDN\$250,000 convertible debentures outstanding as at December 31, 2016 was estimated as \$431,984 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 0.79% and an expected life of 2.39 years.

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

	Liability \$	Derivative liability \$	Total \$
<b>June 30, 2015</b>		-	-
Issuance of debenture	230,004	375,271	605,275
Issuance costs	(5,191)	-	(5,191)
Accretion of liability	9,641	-	9,641.00
Revaluation of conversion option	-	(11,978)	(11,978)
Change in foreign exchange	3,760	5,536	9,296
<b>June 30, 2016</b>	<b>238,214</b>	<b>368,829</b>	<b>607,043</b>
Accretion of liability	30,917	-	30,917
Accrued interest	42,230	-	42,230
Revaluation of conversion option	-	325,940	325,940
Change in foreign exchange	(15,282)	(14,761)	(30,043)
Debentures converted	(174,464)	(248,024)	(422,488)
Interest converted	(33,070)	-	(33,070)
<b>December 31, 2016</b>	<b>88,545</b>	<b>431,984</b>	<b>520,529</b>

### 12. 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 1,000,000 shares at a deemed price of CDN\$0.20 (US\$0.15) per share upon closing of the definitive agreement for the interest in the Golden Zone property.

# AVIDIAN GOLD INC.

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### 12. 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		50,000		-		25,000	
January 15, 2018	50,000		50,000		-		25,000	
January 15, 2019	100,000		100,000		-		25,000	
January 15, 2020	100,000		100,000		-		25,000	
January 15, 2021	100,000		100,000		-		25,000	
January 15, 2022	150,000		150,000		-		25,000	
January 15, 2023	150,000		150,000		-		25,000	
Total	\$ 850,000		\$ 850,000		\$ 25,000		\$ 275,000	

Upon signing the agreement, the stock portion of the required payment resulted in the issuance of 3,250,000 common shares. The January 15, 2017 payments were completed subsequent to the period end (See Note 15).

The Corporation will undertake to spend \$2,000,000 over a five year period with a minimum annual expenditure of \$200,000.

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

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

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

On October 22, 2016, the Corporation finalized a purchase agreement with Hidefield Gold Alaska Inc. ("Hidefield") for the Hidefield Golden Zone Interest. Pursuant to the agreement, the Corporation acquired a 100% of Hidefield's interest in certain claims. As consideration for acquisition of Hidefield's interests, the Corporation issued 3,500,000 common shares at a deemed price of CDN\$0.10 per share and the production from the property so acquired shall be subject to 1% NSR.

# **AVIDIAN GOLD INC.**

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

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### **12. EXPLORATION AND EVALUATION EXPENDITURES (continued)**

#### **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. The definitive agreement was formalized on October 31, 2016.

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

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

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, in exchange for a 2% NSR and the obligation of the Corporation to pay annual advance minimum royalty payments to DGRI Jungo Development Corporation in the amount of \$20,000 beginning on August 25, 2015. The Corporation also holds a 100% interest in Red Dog Claims 101-160 that is not subject to an NSR.

#### **Dome Hill**

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

On August 1, 2016, the Corporation entered into a lease agreement with Chonna DeLaney on the Jump Up Joe patented claim (MS 160651) in Mono County, California. The lease is for an initial period of ten years with options for ten, one-year extensions as long as the Corporation is conducting exploration or mining on the property. Annual lease payments are \$1,000, and there is a two percent (2%) gross proceeds royalty from all production from the property. One half of the royalty can be purchased at any time for \$250,000. The lease is current until August 1, 2017.

On August 1, 2016, the Corporation entered into a Lease with Option to Purchase Agreement with the Brook Family Trust on the Hermene patented claim (MS285868) in Mono County, California. The lease is for an initial period of ten years with options for ten, one-year extensions as long as the Corporation is conducting exploration or mining on the property. Annual lease payments are \$1,000, and the claim can be purchased for \$75,000. There is no residual royalty. The lease is current until August 1, 2017.

# AVIDIAN GOLD INC.

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### 12. EXPLORATION AND EVALUATION EXPENDITURES (continued)

#### County Line

On August 12, 2011, the Corporation entered into a lease agreement ("PPM Lease") with Paradise Peak Mining, LLC ("PPM") for claims located in the Mineral and Nye Counties of the State of Nevada. The term of the lease was for ten years with five extension terms of ten years each and so long after expiration of the final ten year extension as long as the Corporation pays the minimum payments unless otherwise extended or terminated.

The Corporation could purchase the property at any time during the term of the lease agreement for the price of \$400,000, subject to an NSR of 2%.

The Corporation was required to make minimum payments as follows which would be cumulatively credited against the Corporation's royalty payment obligations, but would not be credited against the purchase price of the Corporation's option.

- a) August 15, 2011: \$20,000 (paid)
- b) First anniversary of initial payment: \$20,000 (paid)
- c) Second anniversary of initial payment: \$30,000 (paid)
- d) Third anniversary of initial payment: \$30,000 (paid)
- e) Each subsequent anniversary: \$40,000

The claims were subject to a work commitment (subject to an extension of time from the effective date to January 31, 2012, (the "Resolution Date") of \$50,000 within 18 months of the Resolution Date (the work commitment was fulfilled as at June 30, 2014) and \$150,000 before the third anniversary of the Resolution Date (the work commitment was fulfilled as at June 30, 2015).

The Corporation terminated this lease effective October 11, 2016.

On January 11, 2012, the Corporation entered into a mining lease and purchase agreement ("Desatoya Lease") effective January 31, 2012 with Desatoya Goldstrike, LLC ("Desatoya") for claims located in the Mineral and Nye Counties of the State of Nevada. The term of the lease is for ten years with five extension terms of ten years each and so long after the expiration of the final ten year extension, as long as the Corporation pays the minimum payments unless otherwise extended or terminated.

The Corporation could purchase the property at any time during the term of the lease agreement for the price of \$200,000, subject to a 2% NSR.

The Corporation was required to make minimum payments as follows which will be cumulatively credited against the Corporation's royalty payment obligations, but would not be credited against the purchase price of the Corporation's option.

- a) On execution of the agreement: \$10,000 (paid)
- b) First anniversary of initial payment: \$10,000 (paid)
- c) Second anniversary of initial payment: \$15,000 (paid)
- d) Third anniversary of initial payment: \$20,000 (paid)

# AVIDIAN GOLD INC.

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### 12. EXPLORATION AND EVALUATION EXPENDITURES (continued)

#### County Line (continued)

- e) Each subsequent anniversary: \$20,000 (2016 payment satisfied by issuance of 200,000 stock options exercisable at CDN\$0.01. See Note 7(c))

The Corporation terminated this lease effective October 11, 2016.

On May 25, 2016, the Corporation entered into an option to enter into a joint venture agreement with North Peak Mining Inc. ("NPM") on the Corporation's mining claims located in the Mineral and Nye Counties of the State of Nevada.

NPM was required to make the following payments.

- a) On execution of the agreement: \$30,000 (paid)
- b) October 31, 2016: \$30,000
- c) First anniversary of initial payment: \$100,000
- d) Second anniversary of initial payment: \$100,000
- e) Third anniversary of initial payment: \$100,000

NPM had a work commitment obligation of \$100,000 completed by October 31, 2016, increasing by \$100,000 annually for the next three anniversaries for a total cumulative work commitment of \$1,000,000. Upon making all payments, NPM would have earned a 51% joint venture interest in the mining claims.

This agreement was terminated September 29, 2016.

On January 29, 2013, the Corporation entered into a mining lease and option to purchase agreement for the Rad Claims Property (the "Altan Lease") with Altan Rio (US) Inc., a Nevada corporation ("Altan"), a group of unpatented mining claims located in Mineral and Nye Counties, Nevada.

The term of the Altan Lease was for twenty years and so long after expiration of the primary term as the Corporation pays the minimum advance royalty payments, unless the Altan Lease is terminated in accordance with its terms or is otherwise extended.

The Corporation could purchase the claims at any time during the term of the Altan Lease for the price of \$500,000, subject to a 3% NSR. The Corporation had the option to purchase one-half of the royalty payable under the Altan Lease for the price of \$1,500,000. On closing of the royalty option the royalty rate would be reduced to a 1.5% NSR.

The Corporation was required to make minimum advance royalty payments which are cumulatively credited against the Corporation's production royalty payment obligations. The minimum advance royalty payments are not credited against the purchase price for the Rad Claims if the Corporation exercises its option to purchase the Rad Claims. The minimum advance royalty payments were:

- a) On execution of the Altan Lease: \$10,000 (paid)
- b) First anniversary of initial payment: \$15,000 (paid)
- c) Second anniversary of initial payment: \$20,000 (paid)

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### 12. EXPLORATION AND EVALUATION EXPENDITURES (continued)

#### County Line (continued)

- d) Third anniversary of initial payment: \$25,000
- e) Each subsequent anniversary: \$30,000

The Corporation had a work commitment obligation of \$50,000 per year during each of the second through the fifth years of the Altan Lease, \$100,000 per year during the sixth through tenth lease years, and \$200,000 annually during each of the remaining lease years.

The Corporation terminated this lease effective December 23, 2015.

	Six Month Period ended December 31, 2016	Six Month Period ended December 31, 2015
<u>Golden Zone</u>		
Acquisition and holding costs	\$ 855,120	\$ -
Evaluation expenditures	193,108	
	<u>\$ 1,048,228</u>	<u>\$ -</u>
<u>Amanita</u>		
Acquisition and holding costs	\$ 36,770	\$ 40,000
Evaluation expenditures	65,227	25,514
	<u>\$ 101,997</u>	<u>\$ 65,514</u>
<u>County Line</u>		
Acquisition and holding costs	\$ 230	\$ 27,542
Evaluation expenditures	1,240	46,651
	<u>\$ 1,470</u>	<u>\$ 74,193</u>
<u>Dome Hill</u>		
Acquisition and holding costs	\$ 15,606	\$ 12,227
Evaluation expenditures	686	3,308
	<u>\$ 16,292</u>	<u>\$ 15,535</u>
<u>Shawnee Creek (Formerly known as Jungo)</u>		
Acquisition and holding costs	\$ 39,249	\$ 38,897
Evaluation expenditures	39,485	11,747
	<u>\$ 78,734</u>	<u>\$ 50,644</u>
<u>Other Properties</u>		
Evaluation expenditures	\$ 19,615	\$ 7,705
<b>TOTAL EXPLORATION AND EVALUATION EXPENDITURES</b>	<b>\$ 1,266,336</b>	<b>\$ 213,591</b>

# AVIDIAN GOLD INC.

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### 13. DECOMMISSIONING LIABILITY

The Corporation's provision for closure and reclamation costs relates to County Line and is based on management's estimates of costs to abandon and reclaim mineral exploration interests and facilities as well as an estimate of the future timing of the costs to be incurred.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the provision for closure and reclamation associated with the retirement of the Corporation's mineral exploration interests:

	Amount
Balance, June 30, 2015	\$ 28,600
Adjustments resulting from re-measurement	-
Balance, June 30, 2016	28,600
Adjustments resulting from re-measurement	-
Balance, December 31, 2016	\$ 28,600

The Corporation has assessed its total provision for closure and reclamation and estimated it to be \$28,600 at December 31, 2016 (June 30, 2016 - \$28,600) based on a total future liability of approximately \$27,000 (June 30, 2016 - \$27,000), an inflation rate of 1.8% (2015 - 1.8%) and a discount rate of 1.01% (June 30, 2016 - 1.01%). Reclamation is expected to occur in one year.

### 14. CONTINGENCIES

#### Environmental contingencies

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

### 15. SUBSEQUENT EVENTS

In January 2017, the Corporation closed the final tranche of its private placement announced in November 2016 for gross proceeds of CDN\$400,500 (US\$298,292). A total of 2,670,000 common shares were issued at a price of CDN\$0.15 per share.

On January 15, 2017, the Corporation made the \$50,000 payment and issued 986,250 common shares in accordance with the Golden Zone payment schedule detailed in Note 12.

# **AVIDIAN GOLD INC.**

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### **15. SUBSEQUENT EVENTS (continued)**

The Corporation has entered into a letter of intent (LOI) with a capital pool company named Marching Moose Capital Corp. (“MMCC”). Under the terms of the LOI, a subsidiary of MMCC will amalgamate with Avidian by way of a three-cornered amalgamation whereby the Avidian shareholders will be issued shares of MMCC on the basis of one post-consolidated common share of MMCC for every 2.17 Avidian shares held. Upon completion of the proposed transaction, the business of Avidian will become the business of MMCC. The proposed transaction is intended to constitute MMCC's qualifying transaction under Policy 2.4 of the TSX Venture Exchange. A finder's fee of 150,000 Avidian common shares was issued in conjunction with this transaction.