



**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(expressed in US Dollars)**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Midas Gold Corp.

We have audited the accompanying consolidated financial statements of Midas Gold Corp., which comprise the consolidated statements of financial position as at December 31, 2016, December 31, 2015 and January 1, 2015 and the consolidated statements of net loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2016 and December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Midas Gold Corp. as at December 31, 2016, December 31, 2015 and January 1, 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and December 31, 2015 in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP

Chartered Professional Accountants
February 27, 2017
Vancouver, Canada

Midas Gold Corp.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2016, December 31, 2015, and January 1, 2015

(Expressed in US dollars)

	<u>Notes</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u> (Note 3q)	<u>January 1, 2015</u> (Note 3q)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		\$ 37,180,354	\$ 4,502,325	\$ 9,622,499
Trade and other receivables		23,315	5,676	7,029
Prepaid expenses		282,116	265,742	305,494
		<u>\$ 37,485,785</u>	<u>\$ 4,773,743</u>	<u>\$ 9,935,022</u>
NON-CURRENT ASSETS				
Buildings and equipment	4	\$ 1,062,602	\$ 1,909,410	\$ 2,985,208
Exploration and evaluation assets	5	70,482,303	69,886,755	69,501,156
Reclamation bond		-	18,000	18,000
		<u>\$ 71,544,905</u>	<u>\$ 71,814,165</u>	<u>\$ 72,504,364</u>
TOTAL ASSETS		<u>\$ 109,030,690</u>	<u>\$ 76,587,908</u>	<u>\$ 82,439,386</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade and other payables		\$ 1,272,708	\$ 561,144	\$ 934,516
Current portion of note payable		-	-	194,177
Warrant derivative ⁽ⁱ⁾	6	1,855,065	284,572	456,350
		<u>\$ 3,127,773</u>	<u>\$ 845,716</u>	<u>\$ 1,585,043</u>
NON-CURRENT LIABILITIES				
Convertible notes	7	\$ 19,343,758	\$ -	\$ -
Convertible note derivative ⁽ⁱⁱ⁾	8	49,037,836	-	-
		<u>\$ 68,381,594</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES		<u>\$ 71,509,367</u>	<u>\$ 845,716</u>	<u>\$ 1,585,043</u>
EQUITY				
Share capital	9	\$ 225,168,974	\$ 217,913,718	\$ 212,649,668
Equity reserve	9	22,101,334	21,414,405	20,867,078
Deficit		(209,748,985)	(163,585,931)	(152,662,403)
TOTAL EQUITY		<u>\$ 37,521,323</u>	<u>\$ 75,742,192</u>	<u>\$ 80,854,343</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 109,030,690</u>	<u>\$ 76,587,908</u>	<u>\$ 82,439,386</u>

Approved on behalf of the Board of Directors:

/s/ Stephen Quin

/s/ Donald Young

Stephen Quin - Director

Donald Young - Director

Footnotes:

- (i) *The warrant derivative is valued at fair value in accordance with International Financial Reporting Standards ("IFRS"). There are no circumstances in which the Corporation would be required to pay any cash upon exercise or expiry of the warrants or options. See Note 6.*
- (ii) *The Convertible Note Derivative is valued at fair value in accordance with IFRS. There are no circumstances in which the Corporation would be required to pay cash upon conversion of the Convertible Notes. See Note 8.*

Midas Gold Corp.**CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS**

For the years ended December 31, 2016 and December 31, 2015

(expressed in US dollars)

	Notes	December 31, 2016	December 31, 2015
EXPENSES			(Note 3q)
Consulting		\$ 14,509	\$ 2,806
Corporate salaries and benefits		945,490	698,418
Depreciation	4	1,033,331	1,190,191
Directors' fees		106,394	195,248
Exploration and evaluation	10	9,017,422	8,108,976
Office and administrative		251,446	241,392
Professional fees		165,431	157,432
Share based compensation	9	745,841	547,327
Shareholder and regulatory		316,478	321,395
Travel and related costs		122,744	142,261
OPERATING LOSS		\$ 12,719,086	\$ 11,605,446
OTHER (INCOME) EXPENSES			
Change in fair value of warrant derivative ⁽ⁱ⁾	6	\$ 2,980,265	\$ (934,572)
Change in fair value of convertible note derivative ⁽ⁱⁱ⁾	8	31,249,896	-
Finance costs	11	2,128,914	-
Foreign exchange (gain) loss		(2,700,031)	275,800
Interest income		(215,076)	(23,146)
Total other loss (income)		\$ 33,443,968	\$ (681,918)
NET LOSS AND COMPREHENSIVE LOSS		\$ 46,163,054	\$ 10,923,528
NET LOSS PER SHARE, BASIC AND DILUTED		\$ 0.27	\$ 0.07
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING, BASIC AND DILUTED	9	173,972,323	153,493,974

Footnotes:

- (i) *The warrant derivative is valued at fair value in accordance with IFRS. There are no circumstances in which the Corporation would be required to pay any cash upon exercise or expiry of the warrants or options. See Note 6.*
- (ii) *The Convertible Note Derivative is valued at fair value in accordance with IFRS. There are no circumstances in which the Corporation would be required to pay cash upon conversion of the Convertible Notes. See Note 8.*

Midas Gold Corp.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2016 and December 31, 2015

(expressed in US dollars except for number of shares)

	Note	Share Capital		Equity Reserve	Deficit	Total
		Shares	Amount			
BALANCE, January 1, 2015	3(q)	141,705,090	\$ 212,649,668	\$ 20,867,078	\$ (152,662,403)	\$ 80,854,343
Share based compensation	9	-	-	547,327	-	547,327
Shares issued in private placement	9	19,124,190	5,264,050	-	-	5,264,050
Net loss and comprehensive loss for the year	3q	-	-	-	(10,923,528)	(10,923,528)
BALANCE, December 31, 2015		<u>160,829,280</u>	<u>\$ 217,913,718</u>	<u>\$ 21,414,405</u>	<u>\$ (163,585,931)</u>	<u>\$ 75,742,192</u>
Share based compensation	9			745,841		745,841
Shares issued in private placement (net of issuance costs)	9	14,996,887	3,873,411			3,873,411
Exercise of options		258,875	192,250	(58,912)		133,338
Warrants exercised	6	3,916,975	3,189,595			3,189,595
Net loss and comprehensive loss for the year					(46,163,054)	(46,163,054)
BALANCE, December 31, 2016		<u>180,002,017</u>	<u>\$ 225,168,974</u>	<u>\$ 22,101,334</u>	<u>\$ (209,748,985)</u>	<u>\$ 37,521,323</u>

Midas Gold Corp.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and December 31, 2015
(expressed in US dollars)

	Notes	December 31, 2016	December 31, 2015 (Note 3q)
OPERATING ACTIVITIES:			
Net loss		\$ (46,163,054)	\$ (10,923,528)
Adjustments for:			
Share based compensation		745,841	547,327
Depreciation		1,033,331	1,190,191
Finance Costs	7,11	1,675,461	-
Loss on disposal of buildings and equipment		4,752	-
Change in fair value of warrant derivative	6	2,980,265	(934,572)
Change in fair value of convertible note derivative	8	31,249,896	-
Unrealized foreign exchange loss		(2,460,983)	209,595
Interest income		(215,076)	(23,146)
Changes in:			
Trade and other receivables		18,227	1,353
Prepaid expenses		(16,374)	39,752
Trade and other payables		621,543	(386,098)
Net cash used in operating activities		<u>\$ (10,526,171)</u>	<u>\$ (10,279,126)</u>
INVESTING ACTIVITIES:			
Investment in exploration and evaluation assets		\$ (595,548)	\$ (385,599)
Purchase of buildings and equipment		(191,275)	(95,843)
Interest received		197,210	23,146
Net cash used in investing activities		<u>\$ (589,613)</u>	<u>\$ (458,296)</u>
FINANCING ACTIVITIES:			
Proceeds from issuance of common shares and warrants, net of share issue costs	6, 9	\$ 5,446,872	\$ 6,026,843
Proceeds from issuance of convertible notes	7	38,508,431	-
Repayment of note payable		-	(194,177)
Interest paid		-	(5,823)
Net cash provided by financing activities		<u>\$ 43,955,303</u>	<u>\$ 5,826,843</u>
Effect of foreign exchange on cash and cash equivalents		(161,490)	(209,595)
Net increase (decrease) in cash and cash equivalents		32,678,029	(5,120,174)
Cash and cash equivalents, beginning of year		4,502,325	9,622,499
Cash and cash equivalents, end of year		<u><u>\$ 37,180,354</u></u>	<u><u>\$ 4,502,325</u></u>
Cash		\$ 1,762,412	\$ 671,730
Investment savings		11,901,174	1,999,880
GIC and term deposits		23,516,768	1,830,715
Total cash and cash equivalents		<u><u>\$ 37,180,354</u></u>	<u><u>\$ 4,502,325</u></u>
Supplemental Cash Flows Information			
Share Based Payments included in Share Issuance Costs		\$ 96,275	-

Midas Gold Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and December 31, 2015
(expressed in US dollars)

1. Nature of Operations

Midas Gold Corp. (“the Corporation” or “Midas Gold”) was incorporated on February 22, 2011 under the Business Corporations Act of British Columbia. The Corporation was organized to locate, acquire, develop and restore mineral properties located principally in the Stibnite – Yellow Pine mining district in Valley County, Idaho. The Corporation’s principal asset is the Stibnite Gold Project (“Stibnite Gold Project” or the “Project”). The Corporation currently operates in one segment, mineral exploration in the United States. The corporate office of Midas Gold is located at 890-999 West Hastings Street, Vancouver, BC, V6C 2W2, Canada.

2. Basis of Preparation

a. Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as at December 31, 2016.

b. Basis of Presentation

These consolidated financial statements have been prepared on the historic cost basis except for certain financial instruments, which are measured at fair value as explained in the Summary of Significant Accounting Policies set out in Note 3.

These consolidated financial statements for the years ended December 31, 2016 and December 31, 2015 were approved and authorized for issue by the board of directors on February 23, 2017.

3. Summary of Significant Accounting Policies

a. Basis of Consolidation

During the year, Midas Gold Washington, Inc. (“MGWI” and formerly Midas Gold, Inc. or “MGI”) merged with Idaho Gold Holding Corporation (“IGHC”) to form Idaho Gold Resource Company, LLC (“IGRCLLC”). Also during the year, Idaho Gold Resource, LLC (“IGR”) merged with MGI Acquisition Corporation (“MGIAC”) to form Stibnite Gold Company (“SGC”).

These consolidated financial statements include the financial statements of Midas Gold and its wholly owned subsidiary companies:

Midas Gold Idaho, Inc. (“MGII”);
IGRCLLC; and
SGC.

All intercompany transactions, balances, income and expenses, have been eliminated.

b. Functional and Presentation Currency

The functional and presentation currency of the Corporation and its subsidiaries is the US Dollar (“USD” or “\$”). As the Corporation is located in Vancouver, BC, there are also certain transactions in Canadian Dollars (CAD or C\$). All amounts in these consolidated financial statements are in USD, unless otherwise stated.

Midas Gold Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and December 31, 2015
(expressed in US dollars)

3. Summary of Significant Accounting Policies (continued)

c. Cash and Cash Equivalents

For the purpose of the consolidated statements of financial position and consolidated statements of cash flows, the Corporation considers all highly liquid investments readily convertible to a known amount of cash with an original maturity of three months or less and subject to an insignificant risk of changes in value to be cash equivalents.

d. Financial Assets

Financial assets are classified into one of four categories, fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM"), available for sale ("AFS") and loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

(i) FVTPL financial assets

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Corporation manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Transaction costs related to assets classified as FVTPL are expensed. The Corporation does not have any assets classified as FVTPL financial assets.

(ii) HTM financial assets

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Corporation does not have any assets classified as HTM investments.

(iii) AFS financial assets

Investments and other assets are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income. Impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, are recognized directly in profit or loss rather than equity. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency are translated at the spot rate at the statement of financial position date. The change in fair value attributable to translation differences on amortized cost of the asset is recognized in profit or loss, while other changes are recognized in equity. The Company does not hold any AFS financial assets.

Midas Gold Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and December 31, 2015
(expressed in US dollars)

3. Summary of Significant Accounting Policies (continued)

(iv) Loans and receivables

Trade and other receivables and cash and cash equivalents that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost using the effective interest method less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off when they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would not be material.

(v) Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(vi) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments;
- it has become probable that the borrower will enter bankruptcy or financial reorganization;
- or
- a significant or prolonged decline in value.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through profit or loss. The impairment on AFS equity instruments is not reversed if the value of the AFS equity investments subsequently increases. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

Midas Gold Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and December 31, 2015
(expressed in US dollars)

3. Summary of Significant Accounting Policies (continued)

(vii) *Derecognition of financial assets*

A financial asset is derecognized when:

- the contractual right to the asset's cash flows expire; or
- if the Corporation transfers the financial asset and substantially all risks and rewards of ownership to another entity.

e. *Financial Liabilities and Equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(i) *Other financial liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Corporation has classified trade and other payables, notes payable and Convertible Notes as other financial liabilities. The Corporation has classified the warrant derivative and Convertible Note Derivative as FVTPL.

(ii) *Derecognition of financial liabilities*

The Corporation derecognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire.

Midas Gold Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and December 31, 2015
(expressed in US dollars)

3. Summary of Significant Accounting Policies (continued)

f. Exploration and Evaluation Assets and Expenses

Exploration and evaluation assets are recorded at cost less accumulated impairment losses, if any. All direct costs related to the acquisition of mineral properties are capitalized until the technical feasibility and commercial viability of the asset is established, at which time the capitalized costs are reclassified to mineral properties under development. Technical feasibility and commercial viability are defined as (1) the determination of mineral reserves and (2) a decision to proceed with development has been recommended by management and approved by the Corporation's board of directors. Exploration and evaluation costs, subsequent to acquisition, are expensed until it has been established that a mineral property is technically feasible and commercially viable and a mine development decision has been made by the Company. Thereafter, the Company will capitalize expenditures subsequently incurred to develop the mine, prior to the start of mining operations. See further discussion in Note 3q.

Management reviews the facts and circumstances to determine whether there is an indication that the carrying amount of the exploration and evaluation assets exceeds the recoverable amount at each reporting date. Indication includes but is not limited to, the expiration of the right to explore, substantive expenditure in the specific area is neither budgeted nor planned and if the entity has decided to discontinue exploration activity in the specific area. If facts and circumstances exist that indicate that the assets are impaired, management will assess whether the carrying value exceeds recoverable value, and the Corporation will impair the carrying value of the property.

Where the Corporation has determined that impairment indicators exist, the Corporation will also assess for impairment under IAS 36 *Impairment of assets*, whereby the cash generating unit ("CGU") is assessed for impairment by comparing the carrying value to its recoverable amount, which is the higher of the value in use and the fair value less costs to sell. The fair value less costs to sell is determined by the best information available to reflect the amount the Corporation could receive for the CGU in an arm's length transaction.

g. Loss Per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of share purchase options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding share purchase options were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. All share purchase options and warrants were anti-dilutive for the years presented.

h. Foreign Currency Translation

Transactions in currencies other than the entity's functional currency are recorded at the exchange rate prevailing at the dates of the transactions. Monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the consolidated Statement of Net Loss and Comprehensive Loss.

Midas Gold Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and December 31, 2015
(expressed in US dollars)

3. Summary of Significant Accounting Policies (continued)

i. Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the Statement of Net Loss and Comprehensive Loss.

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

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. A deferred tax asset is recognized 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, the deferred tax asset is derecognized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

j. Share Based Compensation

The Corporation grants share purchase options to directors, officers, employees and consultants. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing price on the day proceeding the day the options were granted.

The fair value of the options granted to employees is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period, which is the period over which all of the specific vesting conditions are satisfied. Forfeitures are estimated at the grant date. For awards with graded vesting, the fair value of each tranche is measured separately and recognized over its respective vesting period. The fair value is recognized as an expense or capitalized to exploration and evaluation assets, depending on the recipient of the option, with a corresponding increase in equity reserve. The amount recognized as expense is adjusted to reflect the number of share options which actually vest.

When the Corporation grants share purchase options, which only vest upon satisfaction of a contingent event, the fair value of the option is measured on the date of grant using the same valuation model and assumptions used for options without performance conditions. The Corporation will recognize compensation expense based on an estimate of performance condition that will be satisfied.

Midas Gold Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and December 31, 2015
(expressed in US dollars)

3. Summary of Significant Accounting Policies (continued)

k. Reclamation and Remediation

The Corporation recognizes liabilities for statutory, contractual, constructive or legal obligations associated with buildings and equipment and exploration and evaluation assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value of such costs. The Corporation's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. The Corporation's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. As at December 31, 2016 and 2015, the Corporation had no rehabilitation liabilities.

l. Buildings and Equipment

Buildings and equipment are recorded at cost less amortization, depletion and accumulated impairment losses, if any.

Where significant components of buildings and equipment have different useful lives, the components are accounted for as separate items. Expenditures incurred to replace a component that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of normal overhead. The costs of day-to-day servicing are recognized in expenses as incurred, as "maintenance and repairs."

The Corporation depreciates its assets, less their estimated residual values, as follows:

Category	Method	Useful life
Equipment and Vehicles	Straight-line	3 to 7 years
Buildings	Straight-line	5 to 10 years

The depreciation method, useful life and residual values are assessed annually.

Midas Gold Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and December 31, 2015
(expressed in US dollars)

3. Summary of Significant Accounting Policies (continued)

m. Impairment

The Corporation's tangible and intangible assets are reviewed for indications of impairment at each reporting date. If an indication of impairment exists, the asset's recoverable amount is estimated to determine extent of impairment, if any. Where the asset does not generate independent cash flows, the Corporation estimates the recoverable amount of the CGU to which the asset belongs.

An impairment loss is recognized when the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the period. The recoverable amount is the greater of the asset's fair value less costs to sell and its 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.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

n. Leases

Operating lease payments are expensed on a straight-line basis over the term of the relevant lease. Incentives received upon entry into an operating lease are recognized straight-line over the lease term.

o. Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

p. Significant Accounting Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may differ from these estimates.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

3. Summary of Significant Accounting Policies (continued)

i) Probability of future economic benefits of exploration and evaluation costs

The application of the Corporation's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is probable that future economic benefits will be generated from the exploitation of an exploration and evaluation asset when activities have not yet reached a stage where a reasonable assessment of the existence of reserves can be determined. The estimation of mineral reserves is a complex process and requires significant assumptions and estimates regarding economic and geological data and these assumptions and estimates impact the decision to either expense or capitalize exploration and evaluation expenditures.

Upon determination of mineral reserves, the Corporation evaluates the commercial viability of the assets, based on the existence of mineral reserves as well as the ability to obtain permitting, financing and a commercial viable construction schedule. Upon making a decision to proceed with the development of the property, the exploration and evaluation assets would be reclassified to mineral properties under development.

ii) Functional currency

The functional currency for each of the Corporation's subsidiaries is the currency of the primary economic environment in which the entity operates. The Corporation has determined that the functional currency of each entity is the US dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Corporation reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

i) Impairment of building and equipment and exploration and evaluation assets

Management considers both external and internal sources of information in assessing whether there are any indications that the Corporation's building and equipment and exploration and evaluation assets are impaired. External sources of information management considers include changes in the market, economic and legal environment in which the Corporation operates that are not within its control and affect the recoverable amount of its building and equipment and exploration and evaluation assets. Internal sources of information management considers include the manner in which mining properties and building and equipment are being used or are expected to be used and indications of economic performance of the assets.

ii) Mineral resource and reserves estimates

The figures for mineral resources and reserves are determined in compliance with the requirements of National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral resources and reserves, including many factors beyond the Corporation's control. Such estimation is a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgements used in engineering and geological interpretation. Differences between management's assumptions (including economic assumptions such as metal prices and market conditions) could have a material effect in the future on the Corporation's financial position and results of operation.

Midas Gold Corp.**Notes to Consolidated Financial Statements****For the years ended December 31, 2016 and December 31, 2015****(expressed in US dollars)****3. Summary of Significant Accounting Policies (continued)**iii) Valuation of share-based compensation, convertible note derivative and warrant derivative

The Corporation uses the Black-Scholes Option Pricing Model or other valuation models for valuation of share-based compensation, Convertible Note Derivative and warrant derivative. Option pricing models require the input of subjective assumptions including expected share price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Corporation's net loss and equity reserves.

q. Change in Accounting Policy

Effective January 1, 2016, the Corporation changed its accounting policy from capitalizing to expensing all exploration and evaluation expenditures in accordance with IFRS 6, *Exploration for and Evaluation of Mineral Resources*. The Company believes that expensing post-acquisition exploration and evaluation costs as incurred provides more reliable and relevant financial information to the users of its financial statements, aligning the policy with the jurisdiction of the Project, its significant investors, and the accounting policies of many of its peers. Under the new policy, the cost of acquiring prospective properties and exploration rights continue to be capitalized. Exploration and evaluation costs, subsequent to acquisition, are expensed until it has been established that a mineral property is technically feasible and commercially viable and a mine development decision has been made by the Company. Thereafter, the Company will capitalize expenditures subsequently incurred to develop the mine, prior to the start of mining operations in accordance with IAS 16.

The Company has applied the change in accounting policy on a retrospective basis and has therefore restated its 2015 comparatives as follows:

Consolidated Statements of Financial Position

As at December 31, 2015	As previously Reported	Adjustment	Restated
Current Assets			
Prepaid Expenses	\$ 126,671	\$ 139,071	\$ 265,742
Total Current Assets	4,634,672	139,071	4,773,743
Non-current Assets			
Exploration and evaluation assets	\$ 206,474,162	\$ (136,587,407)	\$ 69,886,755
Total Non-Current Assets	208,401,572	(136,587,407)	71,814,165
Equity			
Deficit	\$ (27,137,595)	\$ (136,448,336)	\$ (163,585,931)
Total Equity	212,190,528	(136,448,336)	75,742,192

As at January 1, 2015	As previously Reported	Adjustment	Restated
Current Assets			
Prepaid Expenses	\$ 134,829	\$ 170,665	\$ 305,494
Total Current Assets	9,764,357	170,665	9,935,022
Non-current Assets			
Exploration and evaluation assets	\$ 196,496,745	\$ (126,995,589)	\$ 69,501,156
Total Non-Current Assets	199,499,953	(126,995,589)	72,504,364
Equity			
Deficit	\$ (25,837,479)	\$ (126,824,924)	\$ (152,662,403)
Total Equity	207,679,267	(126,824,924)	80,854,343

Midas Gold Corp.**Notes to Consolidated Financial Statements****For the years ended December 31, 2016 and December 31, 2015****(expressed in US dollars)****3. Summary of Significant Accounting Policies (continued)****Consolidated Statement of Net Loss and Comprehensive Loss**

For the year ended December 31, 2015	As previously Reported	Adjustment	Restated
Depreciation	\$ -	\$ 1,190,191	\$ 1,190,191
Exploration and evaluation costs	-	8,108,976	8,108,976
Office and administrative	250,330	(8,938)	241,392
Share based compensation	214,147	333,180	547,327
Operating Loss	1,982,034	9,623,412	11,605,446
Net Loss and Comprehensive Loss	\$ 1,300,116	\$ 9,623,412	\$ 10,923,528
Net Loss per Share	\$ 0.01	\$ 0.06	\$ 0.07

Consolidated Statement of Cash Flows

For the year ended December 31, 2015	As previously Reported	Adjustment	Restated
Cash flow used in operating activities	\$ (1,899,628)	\$ (8,379,498)	\$ (10,279,126)
Cash flow used in investing activities	\$ (8,837,794)	\$ 8,379,498	\$ (458,296)

Consolidated Statement of Changes in Equity

Deficit	As previously Reported	Adjustment	Restated
Balance, December 31, 2014	\$ (25,837,479)	\$ (126,824,924)	\$ (152,662,403)
Net loss and comprehensive loss	(1,300,116)	(9,623,412)	(10,923,528)
Balance, December 31, 2015	\$ (27,137,595)	\$ (136,448,336)	\$ (163,585,931)

*r. Standards Issued but not yet Effective**i) Revenue recognition*

IFRS 15 - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts; IAS 18 – Revenue; IFRIC 13 – Customer Loyalty Programmes; IFRIC 15 – Agreements for the Construction of Real Estate; IFRIC 18 – Transfers of Assets from Customers; and SIC 31 – Revenue – Barter Transactions involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation is currently considering the impact, if any, of the standard on its future consolidated financial statements.

Midas Gold Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and December 31, 2015
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ii) Financial instruments

IFRS 9 - In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments ("IFRS 9") to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation is currently considering the impact, if any, of the final standard on its future consolidated financial statements.

iii) Leases

IFRS 16 - In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16") which replaces IAS 17 – Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Corporation is currently considering the impact, if any, of the standard on its future consolidated financial statements.

4. Buildings and Equipment

At December 31, 2016 and December 31, 2015, the Corporation's buildings and equipment were as follows:

	Buildings	Equipment and Vehicles	Total
Cost			
Balance, December 31, 2014	\$ 2,382,795	\$ 4,417,794	\$ 6,800,589
Additions	-	118,368	118,368
Disposals	-	(26,500)	(26,500)
Balance, December 31, 2015	\$ 2,382,795	\$ 4,509,662	\$ 6,892,457
Additions	94,685	111,590	206,275
Disposals	-	(43,796)	(43,796)
Balance, December 31, 2016	\$ 2,477,480	\$ 4,577,456	\$ 7,054,936
Accumulated Depreciation			
Balance, December 31, 2014	\$ 1,291,592	\$ 2,523,789	\$ 3,815,381
Disposals	-	(22,525)	(22,525)
Depreciation charge for the year	422,955	767,236	1,190,191
Balance, December 31, 2015	\$ 1,714,547	\$ 3,268,500	\$ 4,983,047
Disposals	-	(24,044)	(24,044)
Depreciation charge for the year	398,147	635,182	1,033,331
Balance, December 31, 2016	\$ 2,112,694	\$ 3,879,638	\$ 5,992,334
Carrying Value			
Balance, December 31, 2015	\$ 668,248	\$ 1,241,163	\$ 1,909,410
Balance, December 31, 2016	\$ 364,786	\$ 697,818	\$ 1,062,602

Depreciation expense for the years ended December 31, 2016 and December 31, 2015 was \$1,033,331 and \$1,190,191, respectively.

Midas Gold Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and December 31, 2015
(expressed in US dollars)

5. Exploration and Evaluation Assets

At December 31, 2016 and December 31, 2015, the Corporation's exploration and evaluation assets, as restated (refer Note 3q), at the Stibnite Gold Project were as follows:

	December 31, 2015	Additions	December 31, 2016
Acquisition Costs	(Note 3q)		
Interest on notes payable	\$ 116,546	\$ -	\$ 116,546
Mineral claims	82,291,919	595,548	82,887,467
Royalty interest	1,026,750	-	1,026,750
Sale of royalty interest	(13,548,460)	-	(13,548,460)
Balance	\$ 69,886,755	\$ 595,548	\$ 70,482,303

	December 31, 2014	Additions	December 31, 2015
Acquisition Costs	(Note 3q)		
Interest on notes payable	\$ 114,134	\$ 2,412	\$ 116,546
Mineral claims	81,908,732	383,187	82,291,919
Royalty interest	1,026,750	-	1,026,750
Sale of royalty interest	(13,548,460)	-	(13,548,460)
Balance	\$ 69,501,156	\$ 385,599	\$ 69,886,755

Summary

The Corporation acquired title to the Stibnite Gold Project through several transactions. All title is held at 100% through patented and unpatented mineral and mill site claims, except the Cinnabar claims which are held under an option to purchase agreement, and all of the Stibnite Gold Project is subject to a 1.7% net smelter returns royalty.

The Cinnabar claims are subject to an option agreement amendment dated December 1, 2016, whereby on payment of \$100,000 on or before May 1, 2017 and \$40,000 per year for five years paid on each December 1 beginning in 2017, the Corporation has the option to own 100% of the Cinnabar claim group. At the end of the five years, rather than purchase the Cinnabar claim group the Corporation has the option to extend the agreement for an additional 15 years, with annual payments each year on December 1st as follows: 2022 – 2026: \$25,000; 2027 – 2031: \$30,000; and 2032 – 2037: \$35,000. As at December 31, 2016, \$650,000 has been paid to date on the original option agreement, dated May 3, 2011. At completion of the amended option agreement, the Corporation will have paid \$950,000 in total related to the claims.

Title

Although the Corporation has taken steps to verify title to the properties in which it has an interest and, in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee the Corporation's title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory requirements.

Midas Gold Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and December 31, 2015
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6. Warrant Derivative

The exercise price of certain warrants and options are denominated in Canadian dollars; however, the functional currency of the Corporation is the US Dollar. As a result of this difference in currencies, the proceeds that will be received by the Corporation are not fixed and will vary based on foreign exchange rates and the warrants and options are a derivative and are required to be recognized and measured at fair value at each reporting period. Any changes in fair value from period to period are recorded as a non-cash gain or loss in the consolidated statement of net loss and comprehensive loss. Upon exercise, the holders will pay the Corporation the respective exercise price for each warrant or option exercised in exchange for one common share of Midas Gold and the fair value at the date of exercise and the associated non-cash liability will be reclassified to share capital. The non-cash liability associated with any warrants or options that expire unexercised will be recorded as a gain in the consolidated statement of net loss and comprehensive loss. There are no circumstances in which the Corporation would be required to pay any cash upon exercise or expiry of the warrants or options.

In May 2013, the Corporation issued to Franco Nevada Corporation (“Franco”) 2,000,000 share purchase warrants (“Franco Warrants”). The Franco Warrants are exercisable into 2,000,000 common shares of the Corporation at C\$1.23 per warrant. The Franco Warrants contain a mandatory conversion feature which requires Franco to exercise 100% of the outstanding warrants if, at any time, the volume weighted average trading price of Midas Gold’s common shares is equal to or greater than C\$3.23 for a period of 30 consecutive trading days. The Franco Warrants expire on May 9, 2023.

In May 2015, the Corporation issued 9,562,095 share purchase warrants (“2015 Warrant(s)”) as part of a private placement of Units (“2015 Unit(s)”). Each 2015 Unit consisted of one Share and one-half of one 2015 Warrant. Each 2015 Warrant entitles the holder to purchase one Share at a price of C\$0.60 until May 20, 2017. During the year 3,916,975 of the 2015 Warrants were exercised for cash proceeds of C\$2,350,185 (US\$1,750,343), leaving a balance of 5,645,120 warrants outstanding as of December 31, 2016.

In March 2016, 8,417,144 warrants and finders’ options (issued in 2014) expired unexercised, as these warrants and finders’ options had no value in the period leading up to the expiry date. A reconciliation of the change in fair values of the derivative is below:

In total during the year, 3,916,975 warrants were exercised and 8,417,144 expired, leaving 7,645,120 warrants outstanding as of December 31, 2016.

A reconciliation of the change in fair values of the derivative is below:

	FV Warrant Derivative
Balance, December 31, 2014	\$ 456,350
Warrants issued	762,794
Change in fair value of warrant derivative	(934,572)
Balance, December 31, 2015	\$ 284,572
Fair value of warrants exercised	(1,409,772)
Change in fair value of warrant derivative	2,980,265
Balance, December 31, 2016	\$ 1,855,065

Midas Gold Corp.
Notes to Consolidated Financial Statements
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6. Warrant Derivative (continued)

The fair value of the warrants was calculated using a Black-Scholes valuation model. The weighted average assumptions used in the Black-Scholes valuation model are:

	December 31, 2016	December 31, 2015
Fair value of related warrants outstanding	\$0.24	\$0.01
Risk-free interest rate	0.9%	0.5%
Expected term (in years)	1.4	1.3
Expected share price volatility	70%	60%

7. Convertible Notes

On March 17, 2016, the Corporation issued unsecured convertible notes (the "Convertible Notes") for gross proceeds of \$38.5 (C\$50.0) million. The Convertible Notes bear interest at a rate of 0.05% per annum, payable annually in cash or common shares (at the Corporation's election) or added to the principal and payable on maturity, and have a maturity date of March 17, 2023. On the maturity date, the outstanding principal amount of the Convertible Notes is due and payable in cash unless converted in advance of that date. The holders of the Convertible Notes may convert any portion of their Convertible Notes at any time prior to the maturity date into common shares of the Corporation at a price of C\$0.3541 per share. If there is an equity financing completed at 95% of C\$0.3541, or below, the conversion price is adjusted downward. The Convertible Notes can be redeemed by the Corporation after four years with not more than 60-days written notice and not less than 30-days written notice if the Corporation's common shares reach a price of C\$0.7082. Following the notice of redemption, but prior to the redemption date the holders may convert their Convertible Notes to be redeemed into common shares at the then-current conversion price.

The Convertible Notes have been deemed to contain an embedded derivative ("Convertible Note Derivative") relating to the conversion option. The Convertible Note Derivative was valued upon initial recognition at fair value using partial differential equation methods at \$19.8 million (Note 8). At inception, the gross proceeds of the Convertible Notes were reduced by the estimated fair value of the Convertible Note Derivative (\$19.8 million) and the transaction costs of related to the Convertible Notes (\$0.4 million) resulting in a balance of \$18.3 million. The Convertible Notes are measured at amortized cost and will be accreted to maturity over the term using the effective interest method.

The components of the Convertible Notes are summarized as follows:

	Convertible Notes
Balance, March 17, 2016	\$ 18,307,136
Accretion and Interest	1,675,461
Foreign exchange adjustments	(638,839)
Balance, December 31, 2016	\$ 19,343,758

8. Convertible Note Derivative

The Convertible Note Derivative related to the Convertible Notes (Note 7) was valued upon initial recognition at fair value of \$19.8 million using partial differential equation methods and is subsequently re-measured at fair value at each period end through the consolidated statement of net loss and comprehensive loss. The components of the Convertible Note Derivative are summarized as follows:

Midas Gold Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and December 31, 2015
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8. Convertible Note Derivative (continued)

	Convertible Note Derivative
Balance, March 17, 2016	\$ 19,771,572
Fair value adjustments	31,249,896
Foreign exchange adjustments	(1,983,632)
Balance, December 31, 2016	\$ 49,037,836

Upon conversion of the Convertible Notes, the fair value of the Convertible Note Derivative and the carrying value of the Convertible Notes will be reclassified to share capital. There are no circumstances in which the Corporation would be required to pay any cash upon conversion of the Convertible Notes.

The fair value of the Convertible Note Derivative was calculated using partial differential equation methods. The assumptions used in the valuation model include:

	December 31, 2016	March 17, 2016
Risk-free interest rate	1.3%	0.9%
Expected term (in years)	6.2	7.0
Share Price	C\$0.87	\$C0.385
Credit Spread	10%	10%
Implied discount on share price	37% - 26%	37% - 26%
Expected share price volatility	59%	64%

9. Share Capital

a. Authorized

Unlimited number of common shares without par value.
 Unlimited number of first preferred shares without par value.
 Unlimited number of second preferred shares without par value.

b. Common Shares Issued

(i) Common Shares Issued for Cash during the Year Ended December 31, 2016

In March 2016, in conjunction with the issuance of the Convertible Notes (Note 7), the Corporation issued 14,643,880 shares at a price of C\$0.3541 per common share, for gross proceeds of \$4.0 million (C\$5.2 million) and 353,007 common shares for services in relation to the issuance and transactions costs of \$0.1 million (C\$0.1 million). The net proceeds of the issuance were \$3.9 million (C\$5.0 million).

(ii) Common Shares Issued for Cash during the Year Ended December 31, 2015

In May 2015, the Corporation closed a non-brokered private placement and a brokered private placement for an aggregate of 19,124,190 Units at a price of C\$0.42 per Unit, for gross proceeds of C\$8.0 million (\$6.6 million). Each 2015 Unit consisted of a Share in the capital of the Corporation and one-half of one 2015 Warrant. Each 2015 Warrant entitled the holder to acquire one additional Share at a price of C\$0.60 for a period of two years. The net proceeds of C\$7.5 million (\$6.1 million) from the issuance of the shares were distributed between the common shares, C\$6.6 million (\$5.3

Midas Gold Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and December 31, 2015

(expressed in US dollars)

9. Share Capital (continued)

million), and warrants, C\$0.9 million (\$0.8 million). During the year ended December 31, 2016, 3,916,975 of these warrants were exercised (see Note 9d).

c. Share purchase options

Under the terms of the Corporation's Stock Option Plan, the maximum number of shares reserved for issuance under the Plan is 10% of the issued shares on a rolling basis. Options may be exercisable over periods as determined by the Board of Directors of the Corporation and the exercise price shall not be less than the closing price of the shares on the day preceding the award date, subject to regulatory approval. All stock options granted are subject to vesting, with one third vesting upon issuance and one third vesting on each anniversary from the date of grant.

A summary of share purchase option activity within the Corporation's share based compensation plan for the years ended December 31, 2016 and 2015 is as follows:

	Number of Options	Weighted Average Exercise Price (C\$)
Balance, December 31, 2014	10,845,000	\$ 2.40
Options granted	3,018,000	0.45
Options forfeited	(356,000)	2.74
Balance, December 31, 2015	13,507,000	\$ 1.96
Options granted	5,456,000	0.57
Options expired	(7,405,125)	2.67
Options exercised	(258,875)	0.49
Balance, December 31, 2016	11,299,000	\$ 0.85

Subsequent to December 31, 2016, the Corporation granted 3,697,500 stock options with a weighted average exercise price of C\$0.89 that will expire in five years from the date of grant. During 2017, 1,055,000 stock options with exercise prices ranging from C\$3.10 to \$3.95 will expire unless exercised prior to their expiry dates.

During the year ended December 31, 2016, the Corporation's total share based compensation was \$745,841 (2015 - \$547,327).

The fair value of options granted is estimated at the time of the grant using the Black-Scholes option pricing model, using the following weighted average assumptions:

	2016	2015
Fair value of options granted	\$0.30	\$0.24
Risk-free interest rate	0.7%	1.0%
Expected term (in years)	5.1	5.0
Expected share price volatility	64%	63%
Expected dividend yield	-	-
Expected forfeiture	5%	5%

Midas Gold Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and December 31, 2015
(expressed in US dollars)

9. Share Capital (continued)

An analysis of outstanding share purchase options as at December 31, 2016 is as follows:

Weighted Average Exercise Price (C\$)	Options Outstanding		Options Exercisable		Expiry Date
	Number	Remaining Contractual Life (Years)	Number	Remaining Contractual Life (Years)	
3.95	450,000	0.0	450,000	0.0	Jan-4-2017
3.50	170,000	0.2	170,000	0.2	Mar-30-2017
3.10	250,000	0.7	250,000	0.7	Sep-7-2017
3.10	185,000	0.8	185,000	0.8	Oct-9-2017
0.71	420,000	1.4	420,000	1.4	May-22-2018
0.89	500,000	1.6	500,000	1.6	July-31-2018
0.72	1,132,000	2.0	1,132,000	2.0	Jan-8-2019
0.95	8,000	2.1	8,000	2.1	Feb-3-2019
0.46	2,511,000	3.0	1,255,500	3.0	Jan-6-2020
0.42	382,500	3.4	191,250	3.4	May-25-2020
0.31	2,126,375	4.0	531,594	4.0	Jan-6-2021
0.39	220,000	4.2	55,000	4.2	Mar-16-2021
0.66	1,449,125	4.3	362,281	4.3	Apr-19-2021
0.83	120,000	4.5	30,000	4.5	Jun-23-2021
0.82	120,000	4.7	30,000	4.7	Sep-16-2021
0.88	500,000	4.7	125,000	4.7	Sep-19-2021
0.88	95,000	4.7	23,750	4.7	Sep-19-2021
0.92	600,000	5.8	-	5.8	Sep-30-2021
0.93	60,000	5.0	15,000	5.0	Dec-13-2021
\$ 0.85	11,299,000	3.2	5,734,375	2.3	

d. Warrants

A summary of warrant activity for the years ended December 31, 2015 and December 31, 2016 is as follows; see also Note 6:

	Number of Warrants	Weighted Average Exercise Price (C\$)
Balance, December 31, 2014	10,417,144	\$ 1.11
Warrants granted	9,562,095	0.60
Balance December 31, 2015	19,979,239	\$ 0.87
Warrants exercised	(3,916,975)	0.60
Warrants expired	(8,417,144)	1.09
Balance, December 31, 2016	7,645,120	\$ 0.76

An analysis of outstanding share purchase warrants as at December 31, 2016 is as follows:

Weighted Average Exercise Price (C\$)	Warrants Outstanding and Exercisable	Remaining Contractual Life (Years)	Expiry Date
\$ 0.60	5,645,120	0.4	May-20-2017
1.23	2,000,000	6.4	May-9-2023
\$ 0.76	7,645,120	2.0	

Midas Gold Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and December 31, 2015

(expressed in US dollars)

10. Exploration and Evaluation Expenditures

The Corporation's exploration and evaluation expenditures at the Stibnite Gold Project for the year ended December 31, 2016 and 2015 were as follows:

	Year Ended	
	December 31, 2016	December 31, 2015
Exploration and Evaluation Expenditures		
Consulting and labor cost	3,638,380	3,323,418
Drilling	706,497	28,176
Field office and drilling support	1,487,531	1,279,314
Engineering	749,884	395,138
Environmental and sustainability	2,395,704	3,050,788
Geochemistry and geophysics	39,426	32,142
EXPLORATION AND EVALUATION EXPENSE	\$ 9,017,422	\$ 8,108,976

11. Finance Costs

The Corporation's finance costs for the year ended December 31, 2016 were comprised of accretion costs of \$1,660,331, interest expense of \$15,130, and transaction costs associated with the Convertible Note of \$453,453 (2015 - \$nil).

12. Risk Management and Financial Instruments

The Corporation's objectives are to safeguard the Corporation's ability to continue as a going concern in order to support the Corporation's normal operating requirements, continue the exploration, evaluation and, if warranted, development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, Convertible Notes, Convertible Note Derivative and warrant derivative. Cash and cash equivalents and trade and other receivables are designated as loans and receivables, which are measured at amortized cost. The trade and other payables and convertible note are designated as other financial liabilities, which are measured at amortized cost. The Convertible Note Derivative and warrant derivatives are designated at fair value through profit or loss. The cash and cash equivalents, trade and other receivables, trade and other payables approximate their fair value due to their short-term nature.

The Corporation classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:

The three levels of the fair value hierarchy are:

Level 1 – Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2 – Values based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.

Level 3 – Values based on prices or valuation techniques that are not based on observable market data.

Midas Gold Corp.**Notes to Consolidated Financial Statements****For the years ended December 31, 2016 and December 31, 2015****(expressed in US dollars)****12. Risk Management and Financial Instruments (continued)**

At December 31, 2016 and December 31, 2015, the levels in the Fair Value hierarchy into which the Corporation's financial assets and liabilities are measured and recognized on the balance sheet at fair value are categorized as follows:

	December 31,		
	2016		
	Level 1	Level 2	Level 3
Convertible Note Derivative (see Note 8) \$	-	\$ -	\$ 49,037,836
Warrant Derivative (see Note 6)	-	-	1,855,065
\$	-	\$ -	\$ 50,892,901

	December 31,		
	2015		
	Level 1	Level 2	Level 3
Convertible Note Derivative (see Note 8) \$	-	\$ -	-
Warrant Derivative (see Note 6)	-	-	284,572
\$	-	\$ -	\$ 284,572

Risk management is the responsibility of the Corporation's management team, with oversight by the Board of Directors. The Corporation's financial instrument risk exposures are summarized below:

a) Credit Risk

The Corporation has no significant credit risk arising from operations. The Corporation's credit risk is primarily attributable to cash and cash equivalents and trade and other receivables. The Corporation holds its cash with Canadian chartered banks and the risk of default is considered to be remote. The Corporation has minimal accounts receivable exposure, and its refundable credits are due from the Canadian government.

b) Liquidity Risk

Liquidity risk is the risk that the Corporation will be unable to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due. The Corporation's trade and other payables are generally due within 30 days. As at December 31, 2016 all trade and other payables were due within 30 days.

c) Foreign Currency Risk

The Corporation's functional and reporting currency is the USD and major purchases are transacted in USD. The Corporation is exposed to the risk of changes in USD relative to the Canadian Dollar as a portion of the Corporation's financial assets and liabilities are denominated in Canadian dollars. The Corporation monitors this exposure, but has no contractual hedge positions. Financial assets and liabilities denominated in Canadian dollars are as follows, stated in USD:

	2016		2015	
Cash and cash equivalents	\$	4,930,672	\$	1,085,837
Prepayments, trade and other receivables		74,277		84,235
Trade and other payables		(441,714)		(81,176)
Warrant derivative liability		(1,855,065)		(284,572)
Convertible notes		(19,343,758)		-
Embedded derivative liability		(49,037,836)		-
\$	\$	(65,673,424)	\$	804,324

Midas Gold Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and December 31, 2015

(expressed in US dollars)

12. Risk Management and Financial Instruments (continued)

A five percent change in the US dollar exchange rate to the Canadian dollar would impact the Corporation's earnings by \$4,408,985 (2015 - \$53,649).

During the year, the Corporation maintained a portion of its cash balance in Canadian Dollars. There is a risk that the Corporation's cash balance be reduced on a fluctuation in the relevant exchange rate. The Corporation has a policy that all board approved expenditures be held in the currency they expect to be made in. Cash held in excess of board approved expenditures has been and will be actively managed by the Corporation's management with consideration to the expected currency needs of the Corporation based on approved expenditures.

13. Segmented Information

The Corporation operates in one segment, being the exploration, evaluation and potential development of the Stibnite Gold Project. Details on a geographic basis are as follows:

	<u>2016</u>	<u>2015</u>
Assets by geographic segment, at cost		
Canada		
Current assets	\$ 36,785,669	\$ 4,356,501
Non-current assets	53,473	16,081
	<u>36,839,142</u>	<u>4,372,582</u>
United States		
Current assets	700,115	417,242
Non-current assets	71,491,433	71,798,084
	<u>72,191,548</u>	<u>72,215,326</u>
	<u>\$ 109,030,690</u>	<u>\$ 76,587,908</u>

14. Compensation of Key Management Personnel

During the year ended December 31, 2016, compensation of directors and officers and other key management personnel who have the authority and responsibility for planning, directing and controlling the activities of the Corporation was:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Salaries and benefits	\$ 1,056,121	\$ 880,094
Share based compensation	464,227	225,045
	<u>\$ 1,520,348</u>	<u>\$ 1,105,139</u>

No post-employment benefits, termination benefits, or other long-term benefits were paid to or recorded for key management personnel during the years ended December 31, 2016 and 2015.

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Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and December 31, 2015
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15. Income taxes

a. Income Tax Expense

The provision for income taxes reported differs from the amount computed by applying the applicable income tax rates to the loss before the tax provision due to the following:

	2016	2015
Net income (loss)	\$ (46,163,054)	\$ (10,923,528)
Statutory tax rate	39.53%	39.03%
Recovery of income taxes computed at statutory rates	\$ (18,248,200)	\$ (4,263,772)
Tax losses not recognized in the period that the benefit arose	18,251,145	5,466,185
Share based compensation and other permanent differences	(2,945)	(1,202,413)
Income tax recovery	\$ -	\$ -

b. The significant component of the Corporation's deferred tax assets and liabilities are as follows:

	2016	2015
Net operating loss carry-forward	\$ 26,802,946	\$ 21,082,577
Buildings and equipment	769,487	422,592
Exploration and evaluation assets	34,192,032	34,758,818
Convertible note	12,120,574	-
Total	\$ 73,885,039	\$ 56,263,987

c. Deferred tax assets have not been recognized in respect of the following items:

	2016	2015
Net operating loss carry-forward	\$ 31,645,742	\$ 25,290,016
Buildings and equipment	769,487	422,592
Exploration and evaluation assets	34,192,032	34,758,818
Convertible note	12,120,574	-
Other future deductions	1,069,165	614,515
	\$ 79,797,000	\$ 61,085,941

As at December 31, 2016, the Corporation had deductible temporary differences for which deferred tax assets have not been recognized because it is not probable that future profit will be available against which the Corporation can utilize the benefits.

As of December 31, 2016, the Corporation has US loss carry forwards of approximately \$67,804,000 (2015 - \$54,013,000) of which \$67,804,000 (2015 - \$54,013,000) have not been recognized. The Corporation also has Canadian loss carry forwards of approximately \$18,626,078 (2014 - \$16,183,000) available to reduce future years' income for tax purposes. The Corporation also has tax pools related to Buildings and Equipment and Exploration and Evaluation assets of approximately \$3,009,000 (2015 - \$2,992,000) and \$73,713,000 (2015 - \$75,910,000), respectively. The Corporation recognizes the benefit of tax losses only to the extent of anticipated future taxable income in relevant jurisdictions. The tax loss carry forwards expire as follows:

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Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and December 31, 2015
(expressed in US dollars)

15. Income taxes (continued)

Expiry of Tax Losses:	US		Canada	
December 31, 2029	\$	342,000	\$	-
December 31, 2030		983,000		-
December 31, 2031		9,993,000		1,881,000
December 31, 2032		16,346,000		3,662,000
December 31, 2033		749,000		3,787,000
December 31, 2034		13,661,000		3,539,000
December 31, 2035		12,517,000		3,301,148
December 31, 2036		13,213,000		2,455,930
	\$	67,804,000	\$	18,626,078

The Corporation also has other future deductions available in the US and Canada of approximately \$162,000 (2015 - \$114,000) and \$1,018,000 (2015 - \$1,654,000), respectively for which the benefit has not been recognized.

d. Unrecognized deferred tax liabilities:

At December 31, 2016, there are no material taxable temporary differences associated with investments in subsidiaries.

16. Commitments

a. Office Rent

The Corporation entered into various lease agreements for office and storage space. The total rent obligation over the next five years is \$427,217 with \$184,112 due within one year and \$243,105 due after one year but not more than five years.

b. Mining Claim Assessments

The Corporation currently holds mining claims on which it has an annual assessment obligation of \$235,000 to maintain the claims in good standing. The Corporation is committed to these payments indefinitely. Related to the Mining Claim Assessments is a \$168,000 bond related to the Corporation's exploration activities.