KLONDIKE GOLD CORP.

Condensed Consolidated Financial Statements

For The Six Months Ended
August 31, 2012 and 2011
(Expressed in Canadian Dollars)

NOTICE

No auditor reviewed the Interim Financial Statements.

The accompanying unaudited condensed consolidated interim financial statements of Klondike Gold Corp. (“the Company”), for the six months ended August 31, 2012, have been prepared by management and have not been the subject of a review by the Company’s external independent auditors.

KLONDIKE GOLD CORP.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed In Canadian dollars)

(Unaudited)

	August 31 2012	February 29 2012
ASSETS		
Current		
Cash	$ 715,537	$ 3,924,521
Accounts receivable	266,994	38,607
Prepaid expenses and deposits	78,422	52,481
	1,060,953	4,015,609
Related Party Advances (Note 8(c))	39,411	64,725
Available-for-sale Investments (Note 5)	14,516	34,052
Reclamation Bonds	10,500	10,500
Equipment (Note 6)	293,709	52,796
Exploration And Evaluation Assets (Note 7)	7,835,253	5,816,303
	$ 9,254,342	$ 9,993,985
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 593,318	$ 488,230
Accrued part XII.6 tax payable	10,902	8,033
Due to related parties (Note 8(a))	120,548	138,949
Payable to related party (Note 8d))	150,000	150,000
	874,768	785,212
EQUITY		
Share Capital (Page 5 and Note 9)	52,832,431	52,830,031
Reserves	2,910,827	2,598,936
Deficit	(47,891,607)	(46,753,277)
Shareholders' Equity	7,851,651	8,675,690
Non-controlling Interest	527,923	533,083
Total Equity	8,379,574	9,208,773
	$ 9,254,342	$ 9,939,985

Subsequent events (Note 13)

These condensed consolidated financial statements were authorized for issue by the Board of Directors on October 29 2012. They are signed on the Company's behalf by:

Erich Rauguth	*Alan Campbell*
Director	Director

The accompanying notes are an integral part of these condensed consolidated financial statements.

KLONDIKE GOLD CORP.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed In Canadian dollars)

(Unaudited)

	For Three Months Ended		For Six Months Ended	
	August 31 **2012**	August 31 2011	**August 31** **2012**	August 31 2011
Expenses				
Administration (Note 7(b))	**$ 55,000**	$ 96,500	**$ 130,207**	203,000
Consulting (Note 7(d))	**114,985**	52,658	**237,195**	79,832
Depreciation	**15,549**		**30,484**	
Interest and bank charges	**1,923**	223	**2,448**	366
Office miscellaneous	**639**	2,358	**47,959**	6,975
Part XII.6 tax	**-**	169	**-**	423
Professional fees	**74,284**	34,671	**108,126**	42,439
Regulatory and stock transfer fees	**7,154**	5,286	**12,321**	9,068
Travel and promotion	**128,292**	8,191	**252,803**	31,998
Loss From Operating	**(397,826)**	(200,056)	**(821,543)**	(374,101)
Net revenue from petroleum interests	**300**	51	**453**	101
Interest income	**5,504**	-	**9,027**	-
Gain (loss) on sale of investments	**-**	111,539	**-**	111,539
Stock based compensation	**(1,106)**		**(331,427)**	
Exploration and evaluation assets written off	**-**	(1,576,974)	**-**	(1,576,974)
Loss Before Income Taxes	**(393,128)**	(1,665,431)	**(1,143,490)**	(1,839,426)
Future Income Tax Recovery	**-**	399	**-**	3,327
Net Loss For The Period	**(393,128)**	(1,665,032)	**(1,143,490)**	(1,836,099)
Other Comprehensive Income (Loss)				
Net unrealized gains (losses) on available-for-sale	**(3,747)**	(515)	**(19,536)**	(19,236)
Comprehensive Loss For The Period	**$ (396,875)**	$ (1,665,556)	**$ (1,163,026)**	$ (1,855,335)
Net Loss Attributable To:				
Shareholders	**$ (388,144)**	$ (1,665,032)	**$ (1,138,330)**	$ (1,836,099)
Non-controlling interest	**(4,984)**	-	**(5,160)**	-
	$ (393,128)	$ (1,665,032)	**$ (1,143,490)**	$ (1,836,099)
Loss Per Share – Basic and diluted	**$ (0.00)**	$ (0.00)	**$ (0.01)**	$ (0.01)
Weighted Average Number Of Shares Outstanding	**81,729,982**	23,754,440	**81,711,939**	23,592,211

The accompanying notes are an integral part of these condensed consolidated financial statements.

KLONDIKE GOLD CORP.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed In Canadian dollars)
(Unaudited)

	SHARE CAPITAL			RESERVES						
	NUMBER	AMOUNT	SHARE SUBSCRIPTIONS	SHARE PREMIUM	SHARE-BASED PAYMENTS	AVAILABLE - FOR - SALE FINANCIAL ASSETS	DEFICIT	OWNERS' EQUITY	NON CONTROLLING INTEREST	TOTAL
Balance, February 28, 2011	23,429,983	47,031,966	-	14,250	2,597,634	(7,675)	(44,364,767)	5,271,408	-	5,271,408
Exploration and Evaluation Assets	100,000	21,500	-	-	-	-	-	21,500	-	21,500
Other comprehensive loss	-	-	-	-	-	(19,236)	-	(19,236)	-	(19,236)
Debt settlement	750,000	97,500								
Net loss for the period	-	-	-	-	-	-	(1,836,099)	(1,836,099)	-	(1,836,099)
Balance, August 31, 2011	24,279,983	$ 47,150,966	$ -	$ 14,250	$ 2,597,634	$ (26,911)	$ (46,200,866)	$ 3,535,073	$ -	$ 3,535,073
Balance, February 29, 2012	81,689,982	$ 52,830,031	$ -	$ 27,405	$ 2,597,634	$ (26,103)	$ (46,753,277)	$ 8,675,690	$ 533,083	$ 9,208,773
Consulting	40,000	2,400	-	-	-	-	-	2,400	-	2,400
Stock based compensation	-	-	-	-	331,427	-	-	331,427		331,427
Other comprehensive loss	-	-	-	-	-	(19,536)	-	(19,536)	-	(19,536)
Net loss for the period	-	-	-	-	-	-	(1,138,330)	(1,138,330)	(5,160)	(1,143,490)
Balance August 31, 2012	**81,729,982**	**$ 52,832,431**	**$ -**	**$ 27,405**	**$ 2,929,061**	**$ (45,639)**	**$ (47,891,607)**	**$ 7,851,651**	**$ 527,923**	**$ 8,379,574**

The accompanying notes are an integral part of these condensed consolidated financial statements.

KLONDIKE GOLD CORP.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed In Canadian dollars)
(Unaudited)

	FOR THE SIX MONTHS ENDED August 31 2012	FOR THE SIX MONTHS ENDED August 31 2011
Cash Provided By (Used In):		
Operating Activities		
Net loss for the period	$ **(1,143,490)**	$ (1,836,099)
Adjust for items not requiring an outlay of cash:		
Depreciation	**30,484**	-
Deferred income tax recovery	**-**	(2,928)
Non-controlling interest	**5,160**	
Gain on debt settlement	**-**	(111,539)
Exploration and evaluation assets written off	**-**	1,576,974
Future income tax recovery	**-**	(3,327)
Shares issued for consulting	**2,400**	-
Stock based compensation	**331,427**	-
	(774,019)	(373,991)
Changes in non-cash operating assets and liabilities:		
Accounts receivable	**(228,387)**	31,651
Prepaid expenses	**(25,941)**	22,417
Related party advances	**25,314**	(25,760)
Accounts payable and accrued liabilities	**99,928**	(53,081)
Accrued Part XII.6 tax payable	**2,869**	(38,050)
Due to related parties	**(18,401)**	(345,987)
Loan payable	**-**	150,000
	(918,637)	(632,801)
Investing Activities		
Equipment	**(271,397)**	-
Exploration and evaluation assets	**(2,018,950)**	(54,018)
	(2,290,347)	(54,018)
(Decrease) In Cash	**(3,208,984)**	(686,819)
Cash – Beginning Of Period	**3,924,521**	687,887
Cash – End Of Period	$ **715,537**	$ 1,068
Supplementary Cash Flow Information and Non-Cash Investing Activities:		
Interest paid	$ **-**	$ -
Taxes paid	$ **-**	$ -
Shares Issued For Mineral Property Acquisition Costs	$ **-**	$ 21,500

The accompanying notes are an integral part of these condensed consolidated financial statements.

KLONDIKE GOLD CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED AUGUST 31, 2012 AND 2011
(Expressed in Canadian dollars)
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Klondike Gold Corp. (the "Company") was incorporated on August 23, 1978 under the laws of the Province of British Columbia, Canada. The Company is a public company listed on the TSX Venture Exchange (the "TSX.V"), trading under the "KG" symbol. The address of the Company's corporate office and principal place of business is Suite 711, 675 West Hastings Street, Vancouver, British Columbia, Canada.

Pursuant to the shareholders' approval at the special meeting of shareholders held on October 27, 2010, the Company consolidated its common shares on a 15 to 1 basis. Effective November 3, 2010, the shares of the Company commenced trading on the TSX.V on a consolidated basis. All share references, number of options, number of warrants, and per share amounts included in these condensed consolidated financial statements have been restated to reflect the consolidation and are presented on a post consolidation basis.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), and its interpretations, using accounting policies consistent with International Financial Reporting Standards ("IFRS"). The policies applied in these condensed consolidated interim financial statements are presented below and are based on IFRS issued and outstanding as of August 31, 2012. Any subsequent changes to IFRS that are given effect in our annual condensed consolidated financial statements for the year ending February 28, 2013 could result in restatements of these condensed consolidated interim financial statements. None of these standards are expected to have a significant effect on the condensed consolidated financial statements.

b) Basis of Measurement

These condensed consolidated financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Foreign Currencies

The presentation currency of the Company and the functional currency of the Company and its subsidiary is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. BASIS OF PRESENTATION (Continued)

d) Significant Accounting Judgments and Estimates

The preparation of these condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The estimated flow-through obligations to investors included in accrued liabilities;
- The carrying value and recoverable amount of exploration and evaluation assets;
- The inputs used in accounting for share-based compensation expense in the statements of operations and comprehensive loss;
- The inputs used in assessing the recoverability of deferred income tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the company will have future taxable income; and
- Management's assumption that there are currently no decommissioning liabilities is based on the facts and circumstances that exist during the period.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below adopted for the year ended February 29, 2013 have been applied consistently to all periods presented in these condensed consolidated financial statements, unless otherwise indicated.

a) Basis of Consolidation

These condensed consolidated financial statements include the accounts of the Company, Lonestar Gold Inc. a 79.82% owned subsidiary and Klondike Reef Mines Ltd., a 61.68% owned inactive subsidiary. All intercompany balances and transactions are eliminated upon consolidation.

b) Measurement Uncertainty

Management's capitalization of exploration and development costs and assumptions regarding the future recoverability of such costs are subject to significant measurement uncertainty. Management's assessment of recoverability is based on, among other things, the Company's estimate of current mineral reserves and resources which are supported by geological estimates, estimated gold and metal prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded for mineral properties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Financial Instruments and Risk Management

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss (FVTPL)- This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of operations and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of operations and comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statements of operations and comprehensive loss.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Financial Instruments and Risk Management (Continued)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

Other financial liabilities - This category includes loan payable, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified cash and reclamation bonds as fair value through profit or loss financial assets. Investments in marketable securities are classified as available for sale. Related party advances are classified as loans and receivables. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities. Management did not identify any material embedded derivatives, which require separate recognition and measurement.

Disclosures about the inputs to financial instrument fair value measurements are made within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data

Financial instruments are exposed to credit, liquidity and market risks. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Liquidity risks is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Market risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of price risk: currency risk, interest rate risk and other price risk.

Credit risk and liquidity risk on amounts due to creditors and amounts due from/to related parties were significant to the Company's balance sheet. The Company manages these risks by actively pursuing additional share capital issuances to settle its obligations in the normal course of its operating, investing and financing activities. The Company's ability to raise share capital is indirectly related to changing metal prices and the price of gold in particular. To mitigate this market risk, management of the Company actively pursues a diversification strategy with property holdings focusing on base metals as well as precious metals and diamonds.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Comprehensive Income

Other comprehensive income represents the change in net equity for the period that arises from unrealized gains and losses on available-for-sale financial instruments. Amounts included in other comprehensive income are shown net of tax. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income which is presented as a category in shareholders' equity.

e) Cash and Cash Equivalents

Cash consists of balances with banks and investments in financial instruments with maturities within three months or that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company places its cash and cash investments with institutions of high-credit worthiness.

f) Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Facts and circumstances as defined in *IFRS 6 exploration and evaluation assets* are as follows:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not let to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Exploration and Evaluation Assets (Continued)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

It is management's judgement that none of the Company's exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets.
Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company is not aware of any disputed claims of title.

g) Available-for-Sale Investments

Available for sale investments represent investments in public companies and have been designated as available-for-sale investments. The investments are reported at fair value based on quoted market prices with unrealized gains or losses excluded from operations and reported as other comprehensive income or loss.

The Company evaluates the carrying value of investments for impairment on a quarterly basis. In its impairment analysis, the Company takes into consideration numerous criteria, including the duration and extent of any decline in fair value, the intent and ability of the Company to hold the security for a period of time sufficient for a recovery in value and recent events specific to the issuer or industry. If a decline in value is determined to be other-than-temporary, the carrying value of the security is written down to fair value in the statement of operations.

h) Equipment

Equipment assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Depreciation is recorded at the following rates:

Vehicles	3 years straight line basis
Office equipment and computers	3 years straight line basis
Mining equipment and machinery	3 years straight line basis

In the year of acquisition, depreciation is provided at one-half the normal rate. An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is recognized in the statement of operations, except to the extent they reverse gains previously recognized in other comprehensive income or loss.

j) Decommissioning Liabilities

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

k) Share Capital

i) Non-monetary consideration

Agent's warrants, stock options and other equity instruments issued as purchase consideration in non-monetary transactions other than as consideration for mineral properties are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued is based on the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value using the residual method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Share Capital (Continued)

ii) Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-though share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through expenditure commitments. The Company may also be subject to a Part XII.6 tax on flow-through proceeds, renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

iii) Share-based payments

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

In situations where equity instruments are issued to non ‐ employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share ‐ based payment. Otherwise, share ‐ based payments are measured at the fair value of goods or services received.

iv) Share issuance costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

m) Loss Per Share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. Basic and diluted loss per share is equal as outstanding stock options and warrants were all anti-dilutive.

(Expressed in Canadian dollars)

4. FUTURE ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

The following standards and interpretations have not been in effect as they will only be applied for the first time in future periods. They may result in consequential changes to the accounting policies and other note disclosures. The Company has not yet assessed the impacts of the standards or determined whether it will adopt the standards early.

IFRS 9 – Financial Instruments - IFRS 9 establishes the requirements for recognizing and measuring financial assets and financial liabilities. This new standard is effective January 1, 2013 with earlier application permitted.

IFRS 10 - Consolidated Financial Statements - IFRS 10 supersedes IAS 27: Consolidated and Separate Financial Statements and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This new standard is effective January 1, 2013 with earlier application permitted.

IFRS 11 - Joint Arrangements - IFRS 11 establishes principles for financial reporting by parties to a joint arrangement and supersedes IAS 31: Interests in Joint Ventures and SIC 13: Jointly Controlled Entities - Non- Monetary Contributions by Venturers. This new standard is effective January 1, 2013 with earlier application permitted.

IFRS 12 - Disclosure of Interests in Other Entities - IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. This new standard is effective January 1, 2013 with earlier application permitted.

IAS 27 - Separate Financial Statements - IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9. This new standard is effective January 1, 2013 with earlier application permitted.

IAS 28 - Investments in Associates and Joint Ventures - IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This amendment is effective January 1, 2013 with earlier application permitted.

5. AVAILABLE-FOR-SALE INVESTMENTS

	As of August 31, 2012		As of February 29, 2012	
	Shares	**Fair Value**	**Shares**	**Fair Value**
Klondike Silver Corp.	34,350	$ 6,183	34,350	$ 8,759
Anglo Swiss	333,000	8,333	-	-
		$ 14,516		$ 8,759

(Expressed in Canadian dollars)

6. EQUIPMENT

	Costs			
	Vehicles	**Computers**	**Machinery/ Equipment**	**Total**
Balance February 28, 2011	$ -	$ -	$ -	$ -
Additions	29,550	13,901	11,774	55,225
Balance February 29, 2012	29,550	13,901	11,774	55,225
Additions	123,892	10,550	136,955	271,397
Balance August 31, 2012	**$153,442**	**$ 24,451**	**$148,729**	**$326,622**

	Accumulated Depreciation			
	Vehicles	**Computers**	**Machinery/ Equipment**	**Total**
Balance February 28, 2011	$ -	$ -	$ -	$ -
Additions	1,735	299	395	2,429
Balance February 29, 2012	1,735	299	395	2,429
Additions	14,273	3,681	12,530	30,484
Balance August 31, 2012	**$ 16,008**	**$ 3,980**	**$ 12,925**	**$ 32,913**

	Net Carrying Amount			
	Vehicles	**Computers**	**Machinery/ Equipment**	**Total**
Balance February 28, 2011	$ -	$ -	$ -	$ -
Additions	27,815	13,602	11,379	52,796
Balance February 29, 2012	27,815	13,602	11,379	52,796
Additions	109,619	6,869	124,425	240,913
Balance August 31, 2012	**$137,434**	**$ 20,471**	**$ 135,804**	**$ 293,709**

KLONDIKE GOLD CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED AUGUST 31, 2012 AND 2011
(Expressed in Canadian dollars)
(Unaudited)

7. EXPLORATION AND EVALUATION ASSETS

For the period ended August 31, 2012:

	Cranbrook Claims B.C.	Red Point B.C.	Sedex Group B.C.	Hope Claims B.C.	Ontario Claims Ontario	Yukon Claims Yukon	Total
Acquisition costs (net of option income)	$ 18,386	$ -	$ -	$ -	$ -	$ 41,595	$ 59,981
Exploration costs:							
Drilling	-	-	-	-	-	719,019	719,019
Equipment rental	-	-	-	-	-	22,882	22,882
Field office	-	-	-	-	-	10,500	10,500
Field supplies	-	-	-	-	-	25,170	25,170
Geology and mapping	61,595	9,980	51,900	-	-	783,872	907,347
Line cutting and trenching	-	-	-	-	-	130,145	130,145
Property maintenance	82,293	-	-	-	-	54,097	136,390
Travel	794	-	-	-	-	6,722	7,516
Total current exploration costs	144,682	9,980	51,900	-	-	1,752,407	1,958,969
Total costs incurred during the period	163,068	9,980	51,900	-	-	1,794,002	2,018,950
Properties written off	-	-	-	-	-	-	-
Balance, February 29, 2012	1,756,816	913,702	952,057	9,993	433,174	1,750,561	5,816,303
Balance, August 31, 2012	**$1,919,884**	**$ 923,682**	**$1,003,957**	**$ 9,993**	**$ 433,174**	**$ 3,544,563**	**$ 7,835,253**
Historical Costs:							
Acquisition	$ 8,567	$ 125,312	$ -	$ 7,670	$ 66,810	$ 1,291,961	$ 1,500,320
Exploration	1,911,317	798,370	1,003,957	2,323	366,364	2,252,602	6,334,933
	$1,919,884	$ 923,682	$ 1,003,957	$ 9,993	$ 433,174	$ 3,544,563	$ 7,835,253

KLONDIKE GOLD CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED AUGUST 31, 2012 AND 2011
(Expressed in Canadian dollars)
(Unaudited)

7. EXPLORATION AND EVALUATION ASSETS (Continued)

For the year ended February 29, 2012:

	Cranbrook Claims B.C.	Red Point B.C.	Sedex Group B.C.	Hope Claims B.C.	Chapleau Claims Ontario	Ontario Claims Ontario	Yukon Claims Yukon	Total
Acquisition costs (net of option income)	$ (25,000)	$ -	$ -	$ 7,670	$ -	$ 48,100	$ 1,224,367	$ 1,255,137
Exploration costs:								
Assay	-	-	-	172	-	-	15,734	15,906
Equipment rental	378	-	-	-	-	-	47,760	48,138
Field office	488	-	-	-	-	-	11,018	11,506
Geology and mapping	19,070	600	-	-	-	1,329	318,648	339,647
Line cutting and trenching	-	-	-	-	-	-	18,838	18,838
Property maintenance	52,590	-	8,180	2,151	-	-	69,154	132,075
Travel	278	-	-	-	-	-	12,398	12,676
Total current exploration costs	72,804	600	8,180	2,323	-	1,329	493,550	578,786
Total costs incurred during the period	47,804	600	8,180	9,993	-	49,429	1,717,917	1,833,923
Properties written off	(21,238)	-	-	-	(1,576,974)	(49,168)	-	(1,647,380)
Balance, February 28, 2011	1,730,250	913,102	943,877	-	1,576,974	432,913	32,644	5,629,760
Balance, February 29, 2012	**$1,756,816**	**$ 913,702**	**$ 952,057**	**$ 9,993**	**$ -**	**$ 433,174**	**$ 1,750,561**	**$ 5,816,303**
Historical Costs:								
Acquisition	$ (9,819)	$ 125,312	$ -	$ 7,670	$ -	$ 66,810	$ 1,250,367	$ 1,440,340
Exploration	1,766,635	788,390	952,057	2,323	-	366,364	500,194	4,375,963
	$1,756,816	$ 913,702	$ 952,057	$ 9,993	$ -	$ 433,174	$ 1,750,561	$ 5,816,303

7. EXPLORATION AND EVALUATION ASSETS (Continued)

a) Certain of the claims are subject to royalty payments ranging from 5% to 10% of net profits and from ¼% to 4% of net smelter returns.

b) Cranbrook Claims, B.C.

i) These claims are a large non-contiguous group of claims acquired by staking and option agreements.

ii) Outstanding commitments were as follows:

Golden Egg 50,000 shares 90 days after commercial production.

Hughes Range Extension $10,000 (paid) and 250,000 shares upon commercial production.

iii) Ron Gold, B.C.

The Company optioned its Ron Gold property to Anglo Swiss Resources Inc in September 2009 and amended the agreement in September 2011, wherein they can earn up to a 60% interest. The Ron Gold Property is grouped within the Cranbrook Claims. Amended consideration consists of $175,000 ($125,000 received), 433,333 shares (received), and incurring up to $650,000 in exploration expenditures by September 2014. This Agreement is subject to an underlying agreement with an arm's length party that comes with a 2% net smelter return royalty. Anglo may at any time purchase three-quarters (1.5%) of this royalty Interest from the original holder for $500,000. The Company also holds an additional royalty equal to 1% of net smelter returns. Anglo may at any time purchase 100% of this royalty from the Company for $500,000.

iv) Vine, B.C.

The Company optioned Its Vine Property to PJX Resources Inc. ("PJX") in May 2012. The agreement allows PJX to obtain a 50% undivided interest to the Property grouped within the Cranbrook Claims. To earn its interest PJX must spend $1,500,000 on the property over five years, of which $1,000,000 must be for drilling, and issue 200,000 shares.

c) Red Point, B.C.

The Company entered into an option agreement for the Red Point property located in Trail Creek Mining Division, British Columbia consisting of 12 mineral claims. Consideration was $105,000 cash (paid), 160,000 shares (issued) and total exploration expenditures of $210,000 (completed).

d) Sedex Group, B.C.

These claims are a large non-contiguous group of claims acquired by option agreements from a company with related directors. The Company has completed its work commitment.

e) Hope Claims, B.C.

These claims located West of Trail, BC have been staked by the Company.

f) Chapleau Claims, Ontario

These claims were written off in the year ended February 29, 2012.

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (Continued)

g) Ontario Claims, Ontario

These claims are a non-contiguous group of claims acquired by staking and option agreements. Outstanding commitments were as follows:

Matarrow Mine	$42,500 cash (paid), 170,000 shares (issued). There is a 2% NSR, of which half may be purchased for $1,000,000.
Akweskwa West	These claims were written off in the year ended February 29, 2012.

h) Yukon Claims, Yukon

These claims are a large non-contiguous group of claims acquired by staking and option agreements.

The Company holds a 45% beneficial interest in a group of quartz claims and crown grants (the "Property") located between Eldorado Creek and Upper Bonanza Creed, Dawson Mining Division, Yukon Territory. A non-related company Klondike Star Mineral Corporation ("KSMC") holds the remaining 55% beneficial interest to the Property.

On June 6, 2011, the Company along with KSMC entered into an option agreement with Lonestar Gold Inc. ("Lonestar") whereby an option was granted to Lonestar to acquire up to 100% right, title and interest, legal and beneficial, in and to the group of claims. Lonestar is able to acquire legal interest in increments by paying the Company and KSMC, according to percentage of beneficial ownership, as follows:

First Option, 50% undivided interest in and to the Property:
- Issue 4,000,000 common shares (issued);
- Incur a minimum $750,000 in expenditures on the Property on or before August 31, 2012 (completed);
- Incur an additional $2,000,000 in expenditures on the Property on or before May 30, 2013;
- Issue on or before May 30, 2013 an equal number of shares issued by Lonestar for each equity financing conducted.

Second Option, additional 25% undivided interest in and to the Property:
- Incur an additional $15,000,000 in expenditures on the Property on or before May 30, 2014
- Issue on or before May 30, 2014 an equal number of shares issued by Lonestar for each equity financing conducted.
- Incur an additional $8,000,000 in expenditures on the Property on or before December 31, 2014
- Issue on or before December 31, 2014 an equal number of shares issued by Lonestar for each equity financing conducted.

Third Option, additional 25% undivided interest in and to the Property:
- Complete a bankable feasibility study on the property on or before December 14, 2014
- Pay cash or in shares an amount calculated as: the number of total proven troy ounces of gold identified on the Property by a gold price factor.

(Expressed in Canadian dollars)

8. RELATED PARTY BALANCES AND TRANSACTIONS

Key Management Compensation

	PERIODS ENDED	
	August 31 2012	**August 31 2011**
Consulting and wages	$ 227,800	$ 33,700

Payments to key management personnel including the Directors and Officers are wages and consulting fees and are directly related to their position in the organization. Of the above $46,377 (August 31, 2011 – Nil) was included in exploration and evaluation assets.

Other Related Party Transactions

In addition to related party transactions disclosed in the available-for-sale investments note and the exploration and evaluation assets note, the Company entered into the following transactions and had the following balances payable with related parties. The transactions were recorded at the exchange amount agreed to by the related parties. Balances outstanding are non-interest bearing, unsecured and had no specific terms for collection or repayment.

a) Due to related parties comprised $120,548 (February 29, 2012- $120,017) payable to a company controlled by a director and $Nil (February 29, 2012- $18,932) to directors and officers.

b) Under an annual renewable agreement for services and cost recovery, the Company was charged administration fees of $55,000 (August 31, 2011 - $183,000) by a company controlled by a director. The agreement can be terminated by either party with 30 days notice. The services to the Company included supervision and administration of the financial requirements of the Company's business, producing quarterly accounts in accordance with public reporting requirements; communicating with various regulatory authorities to ensure compliance with all applicable laws; professional analysis and planning of exploration programs, assisting in the preparation of news releases, promotional materials and other documents required to be disseminated, responding to any requests for information and questions; providing secretarial services; office furniture, boardroom facilities, photocopier, fax and such other amenities normally associated with office needs; and providing such other additional instructions and directions as required.

c) The Company was charged $6,000 (August 31, 2011 – Nil) for rent in the Yukon by a director this amount was included in exploration and evaluation assets.

(Expressed in Canadian dollars)

8. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Other Related Party Transactions (Continued)

d) The Company has amounts receivable from companies with directors in common in the amount of $29,725 (February 29, 2012- $29,725) for expenses and shared mineral property costs. The advances are unsecured, non-interest bearing and have no fixed terms of repayment. The Company has amounts receivable from directors of $39,111 (February 29, 2012- $35,000) for a prepaid expense advance and a private placement.

e) The Company's payable to a company with a common director is non-interest bearing with no specific terms for repayment.

9. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value.

b) During the period ended August 31, 2012, no private placements were completed.

c) During the year ended February 29, 2012, the following private placements were completed: In December 2011, 18,980,000 shares for total proceeds of $1,898,000. In February 2012, 17,720,000 shares for total proceeds of $1,772,000. The private placements included 18,020,000 flow-through units. In conjunction with the placements the Company paid cash commissions of $61,935.

d) A summary of the changes in warrants follows:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, February 28, 2011	9,394,888	$ 0.71
Expired	(1,066,667)	1.50
Balance, February 29 and August 31, 2012	8,328,221	$ 0.81

(Expressed in Canadian dollars)

9. SHARE CAPITAL (Continued)

d) A summary of the changes in warrants follows (Continued)

As at August 31, 2012 the following share purchase warrants were outstanding:

TOTAL NUMBER OF WARRANTS	EXERCISE PRICES	EXPIRY DATE
281,560	$0.20	November 25, 2012
130,500	$0.20	December 16, 2012
508,667	$1.50	December 27, 2012
409,580	$0.20	December 29, 2012
26,520	$0.25	December 29, 2012
606,060	$3.00	July 25, 2013
1,925,000	$0.25	November 25, 2013
1,542,500	$0.25	December 16, 2013
20,000	$2.25 / 3.00	December 28, 2013
1,190,500	$0.25	December 29, 2013
244,000	$0.30	December 29, 2013
710,000	$2.25 / 3.00	January 25, 2014
406,667	$1.50	September 30, 2014
326,667	$1.50	November 15, 2014
8,328,221		

As at August 31, 2012 the weighted average remaining contractual life of the share purchase warrants was 1.15 years and the weighted average exercise price was $0.81 (August 31, 2011 - 1.95 years and $0.73).

e) A summary of the changes in stock options follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, February 28, 2011 and February 29, 2012	787,993	$ 1.50
Granted	4,040,000	0.20
Expired	125,667	1.50
Balance, August 31, 2012	4,702,326	$ 0.38

(Expressed in Canadian dollars)

9. SHARE CAPITAL (Continued)

e) A summary of the changes in options follows (Continued)

The following summarizes the stock options outstanding and exercisable as at August 31, 2012:

EXERCISE PRICE	NUMBER OF OPTIONS OUTSTANDING AND EXERCISABLE	REMAINING CONTRACTUAL LIFE (YEARS)	EXPIRY DATE
$1.50	338,996	1.43	February 4, 2014
$1.50	323,330	4.43	February 2, 2017
$0.20	4,040,000	4.50	February 28, 2017
	4,702,326		

As at August 31, 2012 the weighted average remaining contractual life of the options was 4.27 years and the weighted average exercise price was $0.41 (August 31, 2011 - 2.58 years and $1.50).

f) Share-based Payments

The Company has a stock option plan that provides for the issuance of options to its directors, officers, employees and consultants. The maximum number of outstanding options must be no more than 10% of the issued and outstanding shares at any point in time. All past options have been granted with a term of five or seven years and were fully vested on the grant date.

On March 1, 2012, the Company granted 2,000,000 incentive stock options to directors and officers of the Company, 1,970,000 to employees and 50,000 to an IR firm, all for a period of five years. The fair value of the stock based compensation options was estimated on the date of grant in the amount of $332,300 using the Black-Scholes valuation model with the following assumptions i) exercise price per share of $0.20; ii) expected share price volatility of 180.20%; iii) risk free interest rate of 1.45%; iv) no dividend yield. All but 50,000 of the options granted vested immediately. Included in stock based compensation expense is $165,330 for options issued to directors and officers.

g) Flow-Through Expenditure Commitments

During the year ended February 29, 2012, the Company raised $1,802,000 in flow-through placements. As at August 31, 2012, the Company is committed to incur, on a best efforts basis, additional qualifying resource expenditures in the amount of $261,543 on or before January 31, 2014.

If the Company does not spend these funds in compliance with the Government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfill its 2012 flow-through commitments within the given time constraints. The Company was short in fulfilling its 2011 flow-through commitments by $65,610.

(Expressed in Canadian dollars)

10. ACQUISITION OF LONESTAR GOLD INC.

On December 29, 2011 the Company completed an exempt take-over bid to acquire a majority interest in the shares of Lonestar Gold Inc. ("Lonestar") a privately held British Columbia company. The Company invited the shareholders of Lonestar to tender their shares for purchase through the issuance of three Klondike Gold shares for each single share of Lonestar tendered and accepted by the Company. The Company issued 20,709,999 of its shares for 6,903,333 shares of Lonestar. The Company's shareholdings in Lonestar are now 8,703,333 shares, of which 1,800,000 shares were acquired in connection to Note 7(h)), equating to a 79.82% ownership.

Total consideration paid equals the fair value of the Company's shares on the acquisition date in the amount of $2,071,000. The transaction has been accounted for as an asset acquisition under IFRS. The consideration paid has been allocated to the acquired net assets based on their fair value at the date of acquisition. The purchase price of the acquisition has been allocated as follows:

Net Assets Acquired

Current assets	$ 955,580
Equipment	43,574
Exploration and evaluation assets	1,635,024
Current liabilities	(22,630)
	2,611,548
Non-controlling interest	540,548
	$ 2,071,000

11. MANAGEMENT OF CAPITAL

The Company manages its cash, common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account.

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these condensed consolidated financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at August 31, 2012, the classification of the financial instruments, as well as their carrying values and fair values, are shown in the table below:

	FVTPL	LOANS AND RECEIVABLES/ AMORTIZED COST	AVAILABLE -FOR-SALE	TOTAL CARRYING VALUE	FAIR VALUE
Financial assets					
Cash	$ 715,537	$ -	$ -	$ 715,537	$ 715,537
Available-for-sale Investments	-	-	14,516	14,516	14,516
Reclamation Bonds	10,500	-	-	10,500	10,500
	$ 726,037	$ -	$ 14,516	$ 740,553	$ 740,553
Financial liabilities					
Accounts payable and accrued liabilities	$ -	$ (593,318)	$ -	$ (593,318)	$ -
Accrued part XII.6 tax payable	-	(10,902)	-	(10,902)	-
Due to related parties	-	(120,548)	-	(120,548)	-
Loan Payable	-	(150,000)	-	(150,000)	-
	$ -	$ (874,768)	$ -	$ (874,768)	$ -

At August 31, 2012 and 2011, the Company's financial instruments which are measured at fair value on a recurring basis are cash and marketable securities which are classified as Level 1.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgement is required to develop certain of these estimates. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

The methods and assumptions used to estimate the fair value of financial instruments are described below:

The Company is exposed to potential loss from various risks including commodity price risk, interest rate risk, currency risk, credit risk and liquidity risk. Based on the Company's operations the liquidity risk and commodity price risk are considered the most significant.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The carrying values of the Company's accounts payable and accrued liabilities were a reasonable approximation of fair value.

a) Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of base and precious metals including gold, silver, zinc and lead, and the outlook for these metals. The Company does not have any hedging or other derivative contracts respecting its operations. Market prices for metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk, as the nature of Company's business is in exploration.

b) Liquidity Risk

The liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through careful management of its financial obligations in relation to its cash position. Using budgeting processes the Company manages its liquidity requirements based on expected cash flow to ensure there are adequate funds to meet the short term obligations during the year.

During the past year the Company has been able to maintain its liquidity position through private placements.

13. SUBSEQUENT EVENTS

Subsequent to the period ended August 31, 2012:

a) The Company continues with a take-over bid for a majority equity interest in the common voting shares of Klondike Star Mineral Corporation ("Klondike Star") a publicly traded Delaware company. The Company has invited the shareholders of Klondike Star to exchange their common shares for the Company's common shares on the basis of four (4) Klondike Star shares for one (1) share of the Company. The offer is subject to the tender of a sufficient number of Klondike Star shares to provide the Company with a minimum 66.6% interest in Klondike Star.

b) The Company has signed a Letter of Intent with 46799 Yukon Inc. wherein the parties agree to enter into a Joint Venture (the "JV") for the purpose of further exploring and developing a placer gold mine located on the Indian River and Montana Creek in the Dawson Mining District. Klondike Gold Corp. provided the property and the permits required for exploration and mining and an extensive amount of exploration data. 46799 Yukon Inc. provided equipment and initial capital to the Joint Venture. Upon each party making their respective contributions to the JV, each will have a 50% participating interest in the JV and its ongoing operations. Work on the site has commenced and the operating company, KG46 Holdings Ltd., has not only built the complete infrastructure but also purchased and placed the complete 200 cubic yard per hour operating facility. The efficient completion of this work allowed the company to sluice more material and fine tune operations while assuring full production at start of the 2013 season.