



# **KLONDIKE GOLD CORP.**

**Condensed Interim  
Consolidated Financial Statements**

***For The Three and Six Months Ended  
August 31, 2014 and 2013  
(Expressed in Canadian Dollars)  
(Unaudited)***

## NOTICE

No auditor review of the Interim Financial Statements.

The unaudited condensed consolidated interim financial statements of Klondike Gold Corp. (“the Company”), for the three and six months ended August 31, 2014, 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 INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Expressed In Canadian dollars) (Unaudited)

	August 31, 2014	February 28, 2014
<b>Assets</b>		
Current assets		
Cash	\$ 88,168	\$ 73,681
Restricted cash (Note 5)	10,000	10,000
Amounts receivable (Note 8(d))	403,237	386,946
Prepaid expenses and deposits	6,337	29,116
	507,742	499,743
Available-for-sale investments (Note 6)	157,889	207,738
Reclamation bonds	3,500	3,500
Equipment (Note 7)	53,372	154,891
Exploration and evaluation assets (Note 8)	6,626,876	4,788,265
Investment in Joint Venture (Note 9)	423,246	540,026
<b>Total assets</b>	<b>\$ 7,772,625</b>	<b>\$ 6,194,163</b>
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	\$ 661,367	\$ 323,935
Due to related parties (Note 11(a))	60,375	45,225
Loans (Note 10)	774,112	511,781
<b>Total liabilities</b>	<b>1,495,854</b>	<b>880,941</b>
<b>Equity</b>		
Share capital (Note 12)	55,871,360	55,625,491
Reserves	4,548,460	3,437,753
Deficit	(54,240,447)	(54,263,731)
Shareholders' equity	6,179,373	4,799,513
Non-controlling interest	97,398	513,709
Total equity	6,276,771	5,313,222
<b>Total liabilities and equity</b>	<b>\$ 7,772,625</b>	<b>\$ 6,194,163</b>

Nature of operations and going concern (Note 1)

Subsequent events (Notes 9, 12)

Commitments (Note 17)

Approved by the Board of Directors and authorized for issue on October 28, 2014:

"Peter Tallman"	Director
"Gordon Keep"	Director

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

# KLONDIKE GOLD CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS For the three and six months ended August 31, 2014 and 2013 (Expressed in Canadian dollars) (Unaudited)

	Three months ended August 31,		Six months ended August 31,	
	2014	2013	2014	2013
<b>Expenses</b>				
Consulting and wages (Note 11)	\$ 99,198	\$ 152,059	\$ 205,360	\$ 371,866
Depreciation (Note 7)	12,623	28,271	44,025	56,749
Office and miscellaneous	19,393	38,300	33,111	135,838
Professional fees	52,313	41,523	90,441	69,286
Regulatory and transfer agent	26,194	5,732	34,133	16,398
Share-based compensation	-	3,405	-	254,205
Travel	6,159	90,693	9,004	172,136
	<b>(215,880)</b>	<b>(359,983)</b>	<b>(416,074)</b>	<b>(1,076,478)</b>
Miscellaneous income	2,372	553	2,372	595
Interest income	66	670	66	1,873
Foreign exchange gain (loss)	(2,981)	5,847	(2,981)	12,203
Finance expense (Note 10)	(18,011)	-	(33,819)	-
Loss on sale of equipment	450	-	(5,841)	(3,096)
Share of loss in joint venture investment (Note 9)	(13,744)	(123,404)	(34,148)	(258,744)
Writedown of exploration and evaluation assets	-	(1,035)	-	(1,035)
<b>Loss before income taxes</b>	<b>(247,728)</b>	<b>(477,352)</b>	<b>(490,425)</b>	<b>(1,324,682)</b>
Deferred income taxes	-	24,231	-	55,350
<b>Net loss</b>	<b>(247,728)</b>	<b>(453,121)</b>	<b>(490,425)</b>	<b>(1,269,332)</b>
<b>Other comprehensive loss</b>				
Unrealized gain (loss) on available-for- sale investments	(48,830)	6,152	(46,628)	2,132
<b>Comprehensive loss</b>	<b>(296,558)</b>	<b>(446,969)</b>	<b>(537,053)</b>	<b>(1,267,200)</b>
<b>Net loss attributable to:</b>				
Shareholders	\$ (247,728)	\$ (452,913)	\$ (485,891)	\$ (1,267,124)
Non-controlling interest	-	(208)	(4,534)	(2,208)
	<b>\$ (247,728)</b>	<b>\$ (453,121)</b>	<b>\$ (490,425)</b>	<b>\$ (1,269,332)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.02)</b>	<b>\$ (0.04)</b>	<b>\$ (0.04)</b>	<b>\$ (0.11)</b>
<b>Weighted average number of common shares outstanding</b>				
<b>basic and diluted</b>	<b>12,237,853</b>	<b>11,548,501</b>	<b>11,939,024</b>	<b>11,527,088</b>

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

# KLONDIKE GOLD CORP.

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

	SHARE CAPITAL		RESERVES							Non Controlling Interest	Total Equity
	Shares issued <sup>1</sup>	Amount	Share Subscriptions	Share Premium	Share Based Payments	Available-For-Sale Financial Assets	Deficit	Owners' Equity			
<b>At February 28, 2013</b>	10,563,444	\$ 54,852,331	\$ (396,000)	\$ 27,405	\$ 3,213,314	\$ (48,043)	\$ (48,219,999)	\$ 9,429,008	\$ 527,595	\$ 9,956,603	
Private placements	885,000	708,000	-	-	-	-	-	708,000	-	708,000	
Private placements - flow-through	100,000	80,000	-	-	-	-	-	80,000	-	80,000	
Share subscriptions receivable	-	-	396,000	-	-	-	-	396,000	-	396,000	
Share issue costs - cash	-	(27,840)	-	-	-	-	-	(27,840)	-	(27,840)	
Share based compensation	-	-	-	-	254,205	-	-	254,205	-	254,205	
Other comprehensive loss	-	-	-	-	-	2,132	-	2,132	-	2,132	
Net loss	-	-	-	-	-	-	(1,267,124)	(1,267,124)	(2,208)	(1,269,332)	
<b>At August 31, 2013</b>	<b>11,548,444</b>	<b>\$ 55,612,491</b>	<b>\$ -</b>	<b>\$ 27,405</b>	<b>\$ 3,467,519</b>	<b>\$ (45,911)</b>	<b>\$ (49,487,123)</b>	<b>\$ 9,574,381</b>	<b>\$ 525,387</b>	<b>\$ 10,099,768</b>	
<b>At February 28, 2014</b>	11,643,444	\$ 55,625,491	\$ -	\$ 27,405	\$ 3,460,764	\$ (50,416)	\$ (54,263,731)	\$ 4,799,513	\$ 513,709	\$ 5,313,222	
Other comprehensive income	-	-	-	-	-	(46,628)	-	(46,628)	-	(46,628)	
Purchase of Klondike Star Mineral Corp.	1,229,345	245,869	-	-	-	-	513,709	759,578	(411,777)	347,801	
Warrants issued for settlement of amounts payable	-	-	-	-	1,157,335	-	-	1,157,335	-	1,157,335	
Net loss	-	-	-	-	-	-	(490,425)	(490,425)	(4,534)	(494,958)	
<b>At August 31, 2014</b>	<b>12,872,789</b>	<b>\$ 55,871,360</b>	<b>\$ -</b>	<b>\$ 27,405</b>	<b>\$ 4,618,099</b>	<b>\$ (97,044)</b>	<b>\$ (54,240,447)</b>	<b>\$ 6,179,373</b>	<b>\$ 97,398</b>	<b>\$ 6,276,771</b>	

Note 1 - Effective July 28, 2014, the Company's common shares were consolidated on the basis of 10 pre-consolidation common shares for 1 post-consolidation common share. All common share, share purchase warrant, share option, and per share amounts in these unaudited condensed interim consolidated financial statements have been retrospectively restated to present post-consolidation amounts.

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

# KLONDIKE GOLD CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS For the six months ended August 31, 2014 and 2013 (Expressed In Canadian dollars) (Unaudited)

	2014	2013
<b>Operating activities</b>		
Net loss for the period	\$ (490,425)	\$ (1,269,332)
Items not involving cash:		
Depreciation	44,025	56,749
Share based compensation	-	254,205
Share of loss in joint venture investment	34,148	258,744
Loss on disposal of equipment	55,594	-
Changes in non-cash working capital items:		
Amounts receivable	(16,294)	8,175
Prepaid expenses	22,779	(11,068)
Advances	-	(20,404)
Due to related parties	15,150	(63,871)
Flow-through share premium liabilities	-	(35,350)
Accrued interest	33,331	-
Trade and other payables	138,081	(65,761)
	<b>(163,611)</b>	<b>(887,913)</b>
<b>Financing activities</b>		
Proceeds on loans (Note 10)	229,000	-
Shares issued for cash	-	788,000
Restricted cash	-	108,500
Share issue costs	-	(27,840)
Share subscriptions receivable	-	396,000
	<b>229,000</b>	<b>1,264,660</b>
<b>Investing activities</b>		
Equipment	1,900	(174)
Exploration and evaluation assets	(139,763)	(400,317)
Cash acquired on acquisition of subsidiary (Note 13)	1,107	-
Investment in joint venture	82,632	(564,648)
Sale of marketable securities	3,222	-
Reclamation bonds	-	(143,884)
	<b>(50,902)</b>	<b>(1,109,023)</b>
Change in cash during the period	<b>14,487</b>	<b>(732,276)</b>
Cash, beginning of period	<b>73,681</b>	<b>1,096,304</b>
<b>Cash, end of period</b>	<b>\$ 88,168</b>	<b>\$ 364,028</b>
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

Supplemental Cash Flow Information (Note 18)

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

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED August 31, 2014 AND 2013 (Expressed in Canadian dollars) (Unaudited)

### 1. NATURE OF OPERATIONS AND GOING CONCERN

Klondike Gold Corp. (the "Company") is a Vancouver-based resource exploration company listed on the TSX Venture Exchange under the symbol "KG". The Company was incorporated on August 23, 1978 under the laws of the Province of British Columbia, Canada. The Company's head office is located at Suite 3123, 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1J1 and the Company's registered and records office is located at suite 1600, 609 Granville Street, Vancouver, British Columbia, Canada, V7Y 1C3.

These unaudited condensed interim consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis and be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the six months ended August 31, 2014, the Company reported a loss of \$490,425 and an accumulated deficit of \$54,240,447 at that date. The Company had a working capital deficit of \$988,112 and cash at August 31, 2014 amounted to \$88,168.

Continuing operations as a going concern are dependent upon management's ability to raise adequate financing and to ultimately achieve profitable operations in the future. During the six months ended August 31, 2014, the Company received \$229,000 in loans from various investors to cover immediate operating expenses and help restructure the Company in addition to the \$500,000 in loans received during the year ended February 28, 2014. Management has implemented a series of cost cutting measures and continues to seek financing for the Company. Although management has been successful in the past; there is no assurance that these initiatives will be successful in the future. These conditions may cast significant doubt on the Company's ability to continue as a going concern.

On October 2, 2014, the Company announced a non-brokered private placement of up to 4,000,000 flow through shares at a price of \$0.20 per share for gross proceeds of \$800,000 and up to 12,000,000 non-flow through units at a price of \$0.18 per unit for gross proceeds of up to \$2,160,000.

These unaudited condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments would be material.

### 2. BASIS OF PRESENTATION

#### a) Statement of Compliance

The Company prepares its annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and follow the same accounting policies and methods of application as the Company's most recent annual financial statements. Accordingly, they should be read in conjunction with the Company's most recent annual financial statements. These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on October 28, 2014.

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED August 31, 2014 AND 2013 (Expressed in Canadian dollars) (Unaudited)

### 2. BASIS OF PRESENTATION (Continued)

#### b) Basis of Measurement

These statements have been prepared on a historical cost basis except for cash flows information and financial instruments that have been measured at fair value through profit and loss. In addition, these statements have been prepared using the accrual basis of accounting, except for cash flow information. Certain prior period balances have been re-classified to conform to the current period presentation.

#### c) Foreign Currencies

The presentation currency of the Company and the functional currency of the Company and its subsidiaries and investment in a joint venture is the Canadian dollar. All financial information is presented in Canadian dollars unless otherwise noted and all financial information has been rounded to the nearest 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.

#### d) Basis of Consolidation

##### *Subsidiaries*

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. All intercompany balances and transactions are eliminated upon consolidation. The Company's principal operating subsidiaries are as follows:

Name	Principal Activity	Place of Incorporation	Ownership %
<b>Lonestar Gold Inc.</b>	Exploration company	Canada	100%
<b>Klondike Star Mineral Corp.</b>	Exploration company	USA	72%

##### *Joint Venture*

These unaudited condensed consolidated interim financial statements also include the Company's investment in a joint venture with 46799 Yukon Inc. ("Yukon Inc."). The joint venture was incorporated under the laws of the Yukon Territory, Canada as KG46 Holdings Ltd. ("KG46") on July 6, 2012. In addition to a separate legal entity, the parties have the rights to the net assets of the arrangement. The Company accounts for this investment using the equity method. Under the equity method, an interest in a joint venture is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the joint venture.



# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED August 31, 2014 AND 2013 (Expressed in Canadian dollars) (Unaudited)

### 2. BASIS OF PRESENTATION (Continued)

#### e) 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 JUDGMENTS AND ESTIMATES

The preparation of these unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed consolidated interim 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 determination of cash generating units in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of 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.

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED August 31, 2014 AND 2013 (Expressed in Canadian dollars) (Unaudited)

### 4. NEW AND FUTURE ACCOUNTING STANDARDS AND INTERPRETATIONS

IAS 32 - Offsetting Financial Assets and Financial Liabilities (Amended) clarifies the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after January 1, 2014. The adoption of this standard did not have a material impact on the financial statements.

In May 2013, the IASB IFRS Interpretations Committee ("IFRIC") issued IFRIC 21 – Levies ("IFRIC 21"), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of this standard did not have a material impact on the financial statements.

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 - Financial Instruments was issued in November 2009 and covers the classification and measurement of financial assets as part of its project to replace IAS 39 - Financial Instruments: Recognition and Measurement. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is applicable for periods beginning on or after January 1, 2017. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position. Disclosure changes are anticipated.

### 5. RESTRICTED CASH

The Company has a corporate credit card with a limit of \$10,000. As collateral for the credit card, the Company maintains a one-year term deposit of \$10,000 (February 28, 2014 - \$10,000) earning interest at an annual rate of 0.80% with a maturity date of February 21, 2015.

### 6. AVAILABLE-FOR-SALE INVESTMENTS

	As of August 31, 2014		As of February 28, 2014	
	Shares	Fair Value	Shares	Fair Value
Klondike Silver Corp.	34,350	\$ 1,889	34,350	\$ 2,405
Anglo Swiss Resources Inc.	-	-	333,333	3,333
Medgold Resources Corp.	800,000	72,000	800,000	104,000
PJX Resources Inc. (Note 8)	700,000	84,000	700,000	98,000
		<b>\$ 157,889</b>		<b>\$ 207,738</b>

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED August 31, 2014 AND 2013

(Expressed in Canadian dollars)  
(Unaudited)

### 7. EQUIPMENT

<b>Cost</b>	Vehicles	Computers	Machinery/ Equipment	Total
Balance, February 28, 2013	\$ 167,718	\$ 27,451	\$ 148,729	\$ 343,898
Additions	1,591	1,132	-	2,723
Disposals	(28,080)	-	-	(28,080)
Balance, February 28, 2014	141,229	28,583	148,729	318,541
Additions	2,427	-	-	2,427
Disposals	(47,538)	-	(90,000)	(137,538)
<b>Balance, August 31, 2014</b>	<b>\$ 96,118</b>	<b>\$ 28,583</b>	<b>\$ 58,729</b>	<b>\$ 183,430</b>

<b>Accumulated amortization</b>	Vehicles	Computers	Machinery/ Equipment	Total
Balance, February 28, 2013	\$ 32,532	\$ 8,368	\$ 25,318	\$ 66,218
Additions	61,487	9,328	49,574	120,389
Disposals	(22,957)	-	-	(22,957)
Balance, February 28, 2014	71,062	17,696	74,892	163,650
Additions	20,156	5,013	18,856	44,025
Disposals	(25,742)	-	(51,875)	(77,617)
<b>Balance, August 31, 2014</b>	<b>\$ 65,476</b>	<b>\$ 22,709</b>	<b>\$ 41,873</b>	<b>\$ 130,058</b>

<b>Carrying amount</b>	Vehicles	Computers	Machinery/ Equipment	Total
Balance, February 28, 2013	\$ 135,186	\$ 19,083	\$ 123,411	\$ 277,680
Balance, February 28, 2014	\$ 70,167	\$ 10,887	\$ 73,837	\$ 154,891
<b>Balance, August 31, 2014</b>	<b>\$ 30,642</b>	<b>\$ 5,874</b>	<b>\$ 16,856</b>	<b>\$ 53,372</b>

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED August 31, 2014 AND 2013

(Expressed in Canadian dollars)  
(Unaudited)

### 8. EXPLORATION AND EVALUATION ASSETS

	Yukon Claims	Total
	\$	\$
<b>Acquisition costs:</b>		
Balance, February 28, 2014	1,364,222	1,364,222
Additions	55,773	55,773
Acquisition of Klondike Star (Note 13)	1,698,848	1,698,848
Balance, August 31, 2014	3,118,843	3,118,843
<b>Exploration costs:</b>		
Balance, February 28, 2014	3,424,043	3,424,043
Consulting & wages	55,631	55,631
Camp supplies	10,165	10,165
Fuel	4,702	4,702
Lab analysis	3,343	3,343
Property maintenance	4,113	4,113
Travel	6,036	6,036
Balance, August 31, 2014	3,508,033	3,508,033
<b>Total costs:</b>		
Balance, August 31, 2014	6,626,876	6,626,876

## KLONDIKE GOLD CORP.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED August 31, 2014 AND 2013 (Expressed in Canadian dollars) (Unaudited)

#### 8. EXPLORATION AND EVALUATION ASSETS (Continued)

	Portugal Claims	Ontario Claims	British Columbia Claims	Yukon Claims	Total
	\$	\$	\$	\$	\$
<b>Acquisition costs:</b>					
Balance, February 28, 2013	-	66,810	119,974	1,297,841	1,484,625
Additions	-	-	-	66,381	66,381
Properties written off	-	(66,810)	(119,974)	-	(186,784)
Balance, February 28, 2014	-	-	-	1,364,222	1,364,222
<b>Exploration costs:</b>					
Balance, February 28, 2013	66,148	366,364	3,681,206	2,867,565	6,981,283
Field office	-	-	-	1,463	1,463
Field supplies	-	-	-	58,336	58,336
Geology and mapping	58,420	-	57,853	387,128	503,401
Line cutting and trenching	-	-	-	3,500	3,500
Property maintenance	-	-	7,855	97,754	105,609
Travel	-	-	-	8,297	8,297
Properties written off	-	(366,364)	(3,648,914)	-	(4,015,278)
Properties sold	(124,568)	-	(98,000)	-	(222,568)
Balance, February 28, 2014	-	-	-	3,424,043	3,424,043
<b>Total costs:</b>					
Balance, February 28, 2014	-	-	-	4,788,265	4,788,265

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED August 31, 2014 AND 2013 (Expressed in Canadian dollars) (Unaudited)

### 8. EXPLORATION AND EVALUATION ASSETS (Continued)

#### a) B.C. Claims

The Company holds title to 277 claims in good standing totalling 280 square kilometres in area in south-eastern B.C., prospective for gold and base metals.

On February 27, 2014, the Company completed a purchase and sale agreement with PJX Resources Inc. ("PJX") for the acquisition by PJX of 100% of Klondike's Vine Extension Property comprised of 84 claims totalling 6,300 hectares located near Cranbrook, British Columbia, Canada. PJX has purchased 100% of the Company's interest in the Property by issuing 700,000 common shares to the Company. In addition to the payment of shares, the Company retains a royalty equal to 1% of Net Smelter Returns ("NSR") from minerals produced from the Property.

As at February 28, 2014, management determined substantive expenditure on further exploration for and evaluation of mineral resources was not budgeted nor planned; accordingly, all related capitalized costs of \$3,768,888 were written off.

#### b) Ontario Claims

The Matarrow property was acquired by option dated February 7, 2007 as amended December 10, 2008 and subsequently expanded by staking. By February 26, 2010 the Company had earned a 100% interest in the property subject to a 2% NSR of which half can be purchased for \$1,000,000.

As at February 28, 2014, management determined substantive expenditure on further exploration for and evaluation of mineral resources was not budgeted nor planned; accordingly, all related capitalized costs of \$433,174 were written off.

#### c) Yukon Claims

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

The Company holds a 100% beneficial interest in a group of quartz claims and crown grants (the "Yukon Property") located between Eldorado Creek and Upper Bonanza Creek, Dawson Mining Division, Yukon Territory.

On June 6, 2011, the Company along with Klondike Star Mineral Corp. ("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.

On January 12, 2012, the Company acquired by way of a share exchange 80% of Lonestar (Note 14), with the remaining 20% held by KSMC. On July 18, 2014, the Company completed the acquisition of 72% of the outstanding shares of KSMC (Note 13). The purpose of the acquisition was to enable Klondike Gold to consolidate ownership of the gold properties in the Yukon.

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED August 31, 2014 AND 2013 (Expressed in Canadian dollars) (Unaudited)

### 8. EXPLORATION AND EVALUATION ASSETS (Continued)

#### d) Portuguese Exploration Licenses

The Company acquired five exploration licenses (Balazar, Valongo, Legares, Castelo do Paiva and Ponte de Barca) totaling approximately 604 km<sup>2</sup> area prospective for gold from the Portuguese Department of Energy & Geology ("DGE").

In an agreement dated January 24, 2014, the Company sold its Portuguese subsidiary which owns the Portuguese exploration licenses to Medgold Resource Ltd., a subsidiary of Medgold Resources Corp. ("Medgold"), for consideration of \$500,000 to be paid in cash or shares or a combination. As at August 31, 2014, the Company has received \$50,000 and \$100,000 in common shares of Medgold.

By January 24, 2015, Medgold is required to pay a further \$100,000 in cash and \$250,000 in cash or Medgold common shares. As at August 31, 2014, the \$350,000 has been recorded in amounts receivable. The Company will retain a 2% NSR over the existing exploration licenses, of which Medgold Resource Ltd. may purchase all or parts of the NSR for \$1,000,000 per percentage point.

### 9. INVESTMENT IN JOINT VENTURE

During the year ended February 28, 2013, the Company and 46799 Yukon Inc. ("Yukon Inc.") entered into a joint arrangement agreement. Each company owns 50% of KG46 Holdings Ltd. ("KG46"), the joint venture company ("Joint Venture") which operates a placer mining operation south of Dawson City in Canada's Yukon Territory. At the time of forming the Joint Venture, the Company provided exclusive exploration, development and mining rights to certain placer gold mining claims and extensive mining data to the investment in Joint Venture. Yukon Inc. provided equipment and initial capital to the Joint Venture.

The Company's interest in the Joint Venture is reflected as an Investment in Joint Venture, all project related costs are recorded in KG46 and the Company accounts for its interest in the joint venture under the equity method.

The recoverability of the Investment in Joint Venture amounts that relate to the Joint Venture are dependent upon the ability of the Company to obtain necessary financing to complete the assessment studies and the development of reserves, and upon future profitable production.

For the six months ended August 31, 2014 net and comprehensive loss of KG46 was \$68,296 (which includes depreciation of \$52,874, interest expense of \$3,884 and income taxes of nil). The Company's 50% share of the loss was \$34,148.

Prior to the Company receiving revenue payment beyond the 1% annual production royalty, 46799 Yukon Inc. was to receive \$1,000,000 to repay their initial funding of KG46. The exploration, development and all mining rights to the property are subject to existing royalties of 10% of gross production.

Subsequent to August 31, 2014, the Company closed the acquisition of 46799 Yukon Inc. in consideration for the issuance of 6,435,000 common shares of the Company at a deemed price of \$0.20 per share. As a result of the acquisition, the Company now holds an undivided 100% interest in the property subject to an existing third party 5% royalty on production of gold or other minerals.

## KLONDIKE GOLD CORP.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED August 31, 2014 AND 2013 (Expressed in Canadian dollars) (Unaudited)

#### 9. INVESTMENT IN JOINT VENTURE (continued)

##### *Equity Investment Continuity*

	Six months ended August 31, 2014	Year ended February 28, 2014
Opening balance	\$ 540,026	\$ 126,657
Current period contributions	(82,632)	814,037
Share of loss in joint venture investment	(34,148)	(400,668)
Closing balance	\$ 423,246	\$ 540,026

##### *Summarized Financial Information of KG46*

	At August 31, 2014	At February 28, 2014
Current assets	\$ 14,790	\$ 369,171
Equipment	1,502,394	1,725,692
Current liabilities	(275,933)	(677,044)
Due to joint venture partners	(2,174,900)	(2,263,763)
Deficit	\$ (933,649)	\$ (845,944)

##### Assignment of Lease on Indian River Property

During the six months ended August 31, 2014, the Company and 46799 Yukon Inc. (the "Assignors") signed an assignment of lease agreement with Jerusalem Mining LLC (the "Assignee") pursuant to which, the Assignors assigned to the Assignee all of the rights, benefits and obligations of a portion of the Indian River placer property until December 31, 2014, which was subsequently extended to December 31, 2015. The parties may agree to extend the term for consecutive one year periods by mutual agreement prior to November 30 of each calendar year. In consideration, the Assignee has granted to the Assignors a 20% royalty on gross production of gold, subject to a minimum annual payment of 100 ounces raw gold, or cash equivalent. During the six months ended August 31, 2014, royalties of \$76,433 were received and netted against capitalized property costs.

#### 10. LOANS

On December 4, 2013, the Company signed a \$500,000 loan agreement. The loan was secured by a first priority security interest over all of its present and after-acquired personal property and all proceeds thereof. The loan is carried at 10% interest per annum, compounded monthly at the last business day of each month. During the six months ended August 31, 2014, the Company signed additional loan agreements in the amount of \$229,000, carried at 10% interest per annum, compounded monthly at the last business day of each month. As at August 31, 2014, interest of \$45,112 (February 28, 2014: \$11,781) was included in loans in the statement of financial position.



# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED August 31, 2014 AND 2013 (Expressed in Canadian dollars) (Unaudited)

### 11. RELATED PARTY BALANCES AND TRANSACTIONS

#### Key Management Compensation

	SIX MONTHS ENDED	
	AUGUST 31 2014	AUGUST 31 2013
Consulting and wages	\$ 34,500	\$ 156,200

Payments to key management personnel, including directors, officers, former directors and former officers are wages and consulting fees and are directly related to their position in the organization.

In addition to consulting and wages, \$34,500 was deferred in exploration and evaluation assets for the six months ended August 31, 2014 (August 31, 2013 - nil).

#### Other Related Party Transactions

The Company entered into the following transactions and had the following balances payable with related parties. The transactions were recorded at fair value. Balances outstanding are non-interest bearing, unsecured and had no specific terms for collection or repayment.

- Due to related parties comprised \$60,375 due to Atlantic Zinc Resources Ltd., a company owned by the CEO of the Company (February 28, 2014 - \$26,535 payable to companies controlled by former directors) and nil (February 28, 2014 - \$32,100) to former directors and officers.
- Under an agreement for services and cost recovery, the Company was charged administration fees of nil (August 31, 2013 – \$18,050) by a company controlled by a former director. The agreement has been terminated.
- The Company was charged \$60,000 (August 31, 2013 – nil) by Fiore Management and Advisory Corp., a company whose CEO is a director of the Company, for corporate administration services.
- Loans included \$25,000 (February 28, 2014 - \$25,000) due to a director of the Company.

### 12. SHARE CAPITAL

Effective July 28, 2014, the Company's common shares were consolidated on the basis of 10 pre-consolidation common shares for 1 post-consolidation common share. All common share, share purchase warrant, share option, and per share amounts in these unaudited condensed interim consolidated financial statements have been retrospectively restated to present post-consolidation amounts.

Subsequent to August 31, 2014, the Company announced a non-brokered private placement of up to 4,000,000 flow through shares at a price of \$0.20 per share for gross proceeds of \$800,000 and up to 12,000,000 non-flow through units at a price of \$0.18 per unit for gross proceeds of up to \$2,160,000. Each non-flow through unit will consist of one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share at a price of \$0.20 per common share for a period of 3 years from closing.

## KLONDIKE GOLD CORP.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED August 31, 2014 AND 2013 (Expressed in Canadian dollars) (Unaudited)

#### 12. SHARE CAPITAL (continued)

- a) Authorized: Unlimited common shares without par value.
- b) On July 18, 2014, 1,229,345 common shares were issued pursuant to the acquisition of 72% of KSMC (see Note 8(c)). As at August 31, 2014, 12,872,789 common shares were issued and outstanding.

Subsequent to August 31, 2014, 6,435,000 common shares were issued pursuant to the acquisition of 46799 Yukon Inc. (Note 9).

- c) A summary of the changes in share purchase warrants follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, February 28, 2013	966,489	\$ 7.10
Issued	60,000	1.20
Expired	(599,406)	8.60
Balance, February 28, 2014	427,083	1.52
Issued	2,155,788	1.00
Balance, August 31, 2014	2,582,871	\$ 1.52

As at August 31, 2014 the following share purchase warrants were outstanding:

Number of Warrants	Weighted Average Exercise Price	Expiry Date
40,667	\$15.00	September 30, 2014
32,666	15.00	November 15, 2014
293,750	2.00	October 22, 2015
60,000	1.20	October 30, 2016
2,155,788	1.00	January 18, 2017
2,582,871	\$1.52	

As at August 31, 2014 the weighted average remaining contractual life of the share purchase warrants was 2.18 years and the weighted average exercise price was \$1.52 (February 28, 2014 - 1.62 years and \$4.12).

On July 18, 2014, 2,155,788 share purchase warrants were issued pursuant to the settlement of outstanding amounts payable of KSMC of \$1,157,335, exercisable at \$1.00 until January 18, 2017.

Subsequent to August 31, 2014, 40,667 share purchase warrants expired unexercised.

## KLONDIKE GOLD CORP.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED August 31, 2014 AND 2013 (Expressed in Canadian dollars) (Unaudited)

#### 12. SHARE CAPITAL (continued)

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

	Number of Options	Weighted Average Exercise Price
Balance, February 28, 2013	470,232	\$ 3.80
Granted	532,500	1.00
Expired / Cancelled	(363,466)	3.30
Balance, February 28, 2014	639,266	1.60
Expired / Cancelled	(619,000)	(1.50)
Balance, August 31, 2014	20,266	\$1.68

The following summarizes stock options outstanding and exercisable as at August 31, 2014:

Number of Options Outstanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Expiry Date
10,000	\$1.00	1.56	March 21, 2016
266	15.00	2.42	February 1, 2017
10,000	2.00	2.50	February 28, 2017
20,266	\$1.68	2.03	

#### f) Share-based Compensation

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.

No stock options were granted during the six months ended August 31, 2014.

#### g) Flow-Through Expenditure Commitments

During the year ended February 28, 2014 the Company raised \$112,000 (February 28, 2013 - \$308,500) in flow-through placements. As at August 31, 2014, the Company has fulfilled its flow-through spending requirements.

## KLONDIKE GOLD CORP.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED August 31, 2014 AND 2013 (Expressed in Canadian dollars) (Unaudited)

#### 13. ACQUISITION OF KLONDIKE STAR MINERAL CORP.

On July 18, 2014, the Company completed the acquisition of 72% of the outstanding shares of KSMC, a private Delaware company. In consideration for the shares of KSMC the Company issued 1,229,345 common shares. In the coming months, the Company intends to complete its subsequent share acquisition transaction to acquire the remaining balance of the KSMC shares so that the Company will own 100% of KSMC.

KSMC's principal asset is a 20% interest in Lonestar Gold Inc. and a 27.5 % interest in the Lone Star property, which interest has been optioned to Lonestar Gold Inc. KSMC also holds a 55% stake in 342 quartz claims that cover important areas of the northern Klondike Gold Fields and a 100 % interest in the 26 quartz claims that form the Gold Run Property, Yukon Territory. Further, KSMC also holds rights over 188 placer claims located in the Indian River Gold Fields in the Dawson Mining District, Yukon Territory.

The acquisition was valued based on the market price of the Company's shares issued of \$0.20 and allocated to the net assets of KSMC as follows:

	Number of shares issued	Share value	Fair Value (\$)
Klondike Gold Common Shares	1,229,345	\$ 0.20	245,869
Allocated to:			
Cash			1,107
Exploration and evaluation assets			1,698,848
Accounts payable			(1,356,688)
Non-controlling interest			(97,398)
			245,869

#### 14. ACQUISITION OF LONESTAR GOLD INC.

On December 29, 2011 the Company completed an exempt take-over bid to acquire an 80% interest in the shares of Lonestar Gold Inc. ("Lonestar") a privately held British Columbia company. The remaining 20% of Lonestar is held by KSMC. On July 18, 2014, the Company acquired 72% of KSMC (Note 13).

For the six months ended August 31, 2014 the loss allocated to non-controlling interests of the subsidiary was \$4,534 (August 31, 2013 \$2,208). As at August 31, 2014, the accumulated non-controlling interest in the subsidiary was nil (February 28, 2014 \$513,709). On July 18, 2014, the non-controlling interest in Lonestar was reversed to deficit due to the acquisition of KSMC (Note 13).

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED August 31, 2014 AND 2013 (Expressed in Canadian dollars) (Unaudited)

### 15. 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.

### 16. 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 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, 2014, the classification of the financial instruments, as well as their carrying values and fair values, are shown in the table below:

	Held for trading	Loans and Receivables Amortized Cost	Available- for- sale	Total Carrying Value	Fair value
<b>Financial assets</b>	\$	\$	\$	\$	\$
Cash	88,168	-	-	88,168	88,168
Restricted cash	10,000	-	-	10,000	10,000
Available-for-sale					
Investments	-	-	157,889	157,889	157,889
Reclamation Bonds	3,500	-	-	3,500	3,500
Amounts receivable	-	403,237	-	403,237	403,237
	101,668	403,237	157,889	662,794	662,794
<b>Financial liabilities</b>	\$	\$	\$	\$	\$
Trade and other					
payables	-	(661,367)	-	(661,367)	(661,367)
Due to related parties	-	(60,375)	-	(60,375)	(60,375)
Loan	-	(774,112)	-	(774,112)	(774,112)
	-	(1,495,854)	-	(1,495,854)	(1,495,854)

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED August 31, 2014 AND 2013 (Expressed in Canadian dollars) (Unaudited)

### 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

At August 31, 2014 and February 28, 2014, 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.

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.

#### a) 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.

#### b) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED August 31, 2014 AND 2013 (Expressed in Canadian dollars) (Unaudited)

### 17. COMMITMENTS

#### Operating Lease Commitment

The Company leases office premises with a remaining lease term of 2.25 years. The Company's commitment for future minimum payments in respect of the operating lease commitment is as follows:

	<b>August 31, 2014</b>
Short-term portion of the lease (<1 Year)	<b>\$ 26,778</b>
Long-term portion of the lease (Year 2-3)	<b>29,512</b>
	<b>\$ 56,290</b>

KG46 holds a mortgage with a remaining term of 0.9 years. KG46's commitment for future minimum payments in respect of the mortgage commitment is as follows:

	<b>August 31, 2014</b>
Short-term portion of the lease (<1 Year)	<b>\$ 237,320</b>

### 18. SUPPLEMENTAL CASH FLOW INFORMATION

During the six months ended August 31, 2014, the Company issued 1,229,345 common shares pursuant to the acquisition of KSMC (Note 13) at a deemed price of \$0.20 for total consideration of \$245,869.

During the six months ended August 31, 2014, the Company issued 2,155,788 share purchase warrants pursuant to the settlement of outstanding amounts payable of KSMC of \$1,157,335 (Note 12(c)).