KLONDIKE GOLD CORP.

Consolidated Financial Statements

For The Years Ended
February 28, 2015 and 2014
(Expressed in Canadian Dollars)

MORGAN
COMPANY LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Klondike Gold Corp.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Klondike Gold Corp., which comprise the consolidated statements of financial position as at February 28, 2015 and 2014, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Klondike Gold Corp. as at February 28, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada	*"Morgan & Company LLP"*
June 25, 2015	Chartered Professional Accountants

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KLONDIKE GOLD CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at February 28, 2015 and 2014
(Expressed In Canadian dollars)

		2015		2014
Assets				
Current assets				
Cash and cash equivalents	$	**956,598**	$	73,681
Restricted cash (Note 5)		**10,000**		10,000
Amounts receivable		**41,610**		386,946
Prepaid expenses and deposits		**91,117**		29,116
Total current assets		**1,099,325**		499,743
Available-for-sale investments (Note 6)		**407,531**		207,738
Reclamation bond		**3,500**		3,500
Equipment (Note 7)		**473,486**		154,891
Exploration and evaluation assets (Note 8)		**7,724,211**		4,788,265
Investment in Joint Venture (Note 9)		**-**		540,026
Total assets	$	**9,708,053**	$	6,194,163
Liabilities				
Current liabilities				
Trade and other payables	$	**74,536**	$	323,935
Due to related parties (Note 12(a))		**12,075**		45,225
Mortgage payable (Note 11)		**176,000**		-
Flow-through premium (Note 13(b))		**40,000**		-
Loans (Note 10)		**-**		511,781
Total liabilities		**302,611**		880,941
Equity				
Share capital (Note 13)		**59,727,143**		55,625,491
Reserves		**4,863,107**		3,437,753
Deficit		**(55,282,206)**		(54,263,731)
Shareholders' equity		**9,308,044**		4,799,513
Non-controlling interest		**97,398**		513,709
Total equity		**9,405,442**		5,313,222
Total liabilities and equity	$	**9,708,053**	$	6,194,163

Nature of operations and going concern (Note 1)
Commitments (Note 18)

Approved by the Board of Directors and authorized for issue on June 25, 2015:

"Peter Tallman" Director

"Gordon Keep" Director

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

KLONDIKE GOLD CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended February 28, 2015 and 2014
(Expressed In Canadian dollars)

	2015	2014
Expenses		
Consulting and wages (Note 12)	**$ 427,501**	$ 595,617
Share based compensation (Note 13(d))	**270,350**	229,450
Depreciation	**121,266**	110,761
Office and miscellaneous	**101,585**	255,247
Professional fees	**90,868**	227,656
Regulatory and transfer agent	**45,449**	31,742
Travel	**20,517**	246,647
	(1,077,536)	(1,697,120)
Miscellaneous income	**2,372**	6,052
Interest income	**831**	3,047
Foreign exchange gain (loss)	**(2,981)**	10,804
Finance expense (Note 10)	**(49,388)**	-
Loss on sale of equipment	**(16,748)**	(2,206)
Loss on sale of available-for-sale investments	**(43,943)**	-
Share of loss in joint venture investment (Note 9)	**(33,061)**	(400,668)
Gain on disposition of joint venture (Note 9)	**195,624**	-
Gain on sale of foreign subisidiary	**-**	149,742
Writedown of exploration and evaluation assets	**-**	(4,202,062)
Writedown of equipment (Note 7)	**(524,537)**	-
Gain on settlement of debt	**17,183**	6,093
Loss before income taxes	**(1,532,184)**	(6,126,318)
Deferred income taxes	**-**	68,700
Net loss	**(1,532,184)**	(6,057,618)
Other comprehensive loss		
Unrealized loss on available-for-sale investments	**(46,274)**	(2,373)
Reclassification on disposition of available-for-sale investments	**43,943**	-
Other comprehensive loss	**(2,331)**	(2,373)
Comprehensive loss for the year	**(1,534,514)**	(6,059,991)
Net loss attributable to:		
Shareholders	**$ (1,527,650)**	$ (6,043,732)
Non-controlling interest	**(4,534)**	(13,886)
	$ (1,532,184)	$ (6,057,618)
Basic and diluted loss per share	**$ (0.08)**	$ (0.52)
Weighted average number of common shares outstanding basic and diluted	**19,284,638**	11,577,487

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

KLONDIKE GOLD CORP.

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

	SHARE CAPITAL			RESERVES						
	Shares issued	Amount	Share Subscriptions	Share Premium	Share Based Payments	Available-For-Sale Financial Assets	Deficit	Owners' Equity	Non Controlling Interest	Total Equity
At February 28, 2013	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	985,000	743,000	-	-	15,000	-	-	758,000	-	758,000
Private placements - flow-through	120,000	87,000	-	-	3,000	-	-	90,000	-	90,000
Shares returned to treasury	(25,000)	(25,000)						(25,000)		(25,000)
Share subscriptions receivable	-	-	396,000	-	-	-	-	396,000	-	396,000
Share issue costs - cash	-	(31,840)	-	-	-	-	-	(31,840)	-	(31,840)
Share based compensation	-	-	-	-	229,450	-	-	229,450	-	229,450
Other comprehensive loss	-	-	-	-	-	(2,373)	-	(2,373)	-	(2,373)
Net loss	-	-	-	-	-	-	(6,043,732)	(6,043,732)	(13,886)	(6,057,618)
At February 28, 2014	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 loss	-	-	-	-	-	(2,331)	-	(2,331)	-	(2,331)
Purchase of Klondike Star Mineral Corp. (Note 14)	1,229,345	245,869	-	-	-	-	513,709	759,578	(411,777)	347,801
Purchase of 46799 Yukon Inc. (Note 9)	6,435,000	1,287,000	-	-	-	-	-	1,287,000	-	1,287,000
Warrants issued for settlement of amounts payable (Note 13(c))	-	-	-	-	1,157,335	-	-	1,157,335	-	1,157,335
Private placement (Note 13(b))	10,501,477	1,890,266	-		-	-	-	1,890,266		1,890,266
Private placement - flow-through (Note 13(b))	4,000,000	800,000	-	-	-	-	-	800,000	-	800,000
Flow-through premium (Note 13(b))		(40,000)	-	-	-	-	-	(40,000)	-	(40,000)
Share issue costs	-	(81,483)	-	-	-	-	-	(81,483)	-	(81,483)
Share based compensation (Note 13(d))	-	-	-	-	270,350	-	-	270,350	-	270,350
Net loss	-	-	-	-	-	-	(1,532,184)	(1,532,184)	(4,534)	(1,536,718)
At February 28, 2015	33,809,266	$ 59,727,143	$ -	$ 27,405	$ 4,888,449	$ (52,747)	$ (55,282,206)	$ 9,308,044	$ 97,398	$ 9,405,442

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 consolidated financial statements have been retrospectively restated to present post-consolidation amounts.

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

KLONDIKE GOLD CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended February 28, 2015 and 2014
(Expressed In Canadian dollars)

	2015	2014
Operating activities		
Net loss for the year	$ (1,532,184)	$ (6,057,618)
Items not involving cash:		
Depreciation	121,266	110,761
Share based compensation (Note 13(d))	270,350	229,450
Share of loss in joint venture investment	33,061	400,668
Loss on disposal of equipment	16,748	-
Gain on disposition of joint venture	(195,624)	-
Writedown of equipment (Note 7)	524,537	-
Gain on debt settlement	(17,183)	(6,063)
Loss on sale of available-for-sale investments	43,943	
Write-down of exploration and evaluation assets	-	4,202,062
Gain on sale of foreign subsidiary	-	(149,742)
Exchange of vehicles for administration expenditures	-	13,206
Deferred income tax recovery	-	(68,700)
Changes in non-cash working capital items:		
Amounts receivable	109,898	(2,763)
Prepaid expenses	(62,001)	29,781
Due to related parties	(33,150)	(41,897)
Accrued interest	(11,781)	11,781
Trade and other payables	(491,055)	152,260
Advances	-	61,025
Flow-through share premium liabilities	-	(46,700)
Cash used in operating activities	(1,223,175)	(1,162,489)
Financing activities		
Proceeds on loans (Note 10)	229,000	500,000
Repayment of loans (Note 10)	(729,000)	-
Shares issued for cash (Note 13(b))	2,690,266	848,000
Repayment of mortgage (Note 11)	(54,000)	-
Restricted cash	-	123,500
Share issue costs	(81,483)	(31,839)
Share subscriptions receivable	-	396,000
Cash provided by financing activities	2,054,783	1,835,661
Investing activities		
Equipment	116,601	(1,178)
Exploration and evaluation assets	(374,525)	(887,580)
Proceeds on gold sales	216,341	-
Cash acquired on acquisition of subsidiaries (Notes 9, 14)	1,387	-
Investment in joint venture (Note 9)	87,572	(814,037)
Sale of available-for-sale investments	3,933	-
Reclamation bond	-	7,000
Cash provided by (used in) investing activities	51,309	(1,695,795)
Change in cash during the year	882,917	(1,022,623)
Cash, beginning of year	73,681	1,096,304
Cash, end of year	$ 956,598	$ 73,681
Interest paid	$ 66,741	$ -
Taxes paid	$ -	$ -

Supplemental Cash Flow Information (Note 19)

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

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 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 year ended February 28, 2015, the Company reported a loss of $1,532,184 and an accumulated deficit of $55,282,206 at that date. The Company had working capital of $796,714 and cash and cash equivalents of $956,598 at February 28, 2015.

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 year ended February 28, 2015, the Company completed private placements for gross proceeds of $2,690,266 (Note 13(b)). 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.

These 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of Measurement

These statements have been prepared on a historical cost basis except for cash flow 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c) Foreign Currencies

The presentation currency of the Company and the functional currency of the Company and its subsidiaries 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 %
Lonestar Gold Inc.	Exploration company	Canada	100%
KG46 Holdings Ltd.	Placer mining company	Canada	100%
Klondike Star Mineral Corp.	Exploration company	USA	72%

e) Measurement Uncertainty

Management's capitalization of exploration and evaluation 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 exploration and evaluation assets.

f) 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 - 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 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.

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.

Financial Instrument Classifications

The Company has classified cash and cash equivalents, restricted cash and reclamation bonds as fair value through profit or loss financial assets. Investments in marketable securities are classified as available for sale. Amounts receivable and related party advances are classified as loans and receivables. Accounts payable and accrued liabilities, due to related parties and loan 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 statement of financial position. 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.

g) Comprehensive Income (Loss)

Other comprehensive income (loss) 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.

h) Cash and Cash Equivalents

Cash consists of balances with banks and investments in financial instruments with maturities within three months or that is 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.

i) Exploration and Evaluation Assets

Exploration and evaluation assets 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 exists 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.

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.

j) 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 at the end of each reporting period. 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.

k) 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. When parts of equipment have different useful lives, they are accounted for as separate items (major components) of equipment. 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

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.

l) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the end of each reporting period. 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. Each of the Company's exploration and evaluation properties is considered to be a 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.

m) Interest in Joint Venture

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic, financial, and operating policy decisions relating to the activities of the joint venture require unanimous consent of the parties sharing control).

Joint venture arrangements that involve the establishment of a separate legal entity in which each venture has an interest are referred to as jointly controlled entities. The Company reports its interest in a joint venture entity under the equity method of accounting. 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.

When the Company transacts with a joint venture of the Company, the unrealized profit and losses are eliminated to the extent of the Company`s interest in the joint venture.

The financial statements of the joint venture were prepared for the same reporting period as the Company. Where necessary, adjustments were made to bring the accounting policies in line with those of the Company.

n) 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.

o) 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 Venture Exchange 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.

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-through 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.

As qualified expenses are incurred the Company relieves the liability and recognizes the premium in income as deferred tax recovery.

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.

p) Income Taxes

Income tax expense comprises 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.

q) 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.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these 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 consolidated 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.

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 and IFRICs 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, entitles 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, 2018. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IAS 32 (Amendment): Standard amended to clarify requirements for offsetting financial assets and financial liabilities, effective for annual periods beginning on or after January 1, 2015.

IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2018.

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 0.65% with a maturity date of February 21, 2016.

KLONDIKE GOLD CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED FEBRUARY 28, 2015 AND 2014
(Expressed in Canadian dollars)

6. AVAILABLE-FOR-SALE INVESTMENTS

	As of February 28, 2015		As of February 28, 2014	
	Shares	**Fair Value**	Shares	Fair Value
Klondike Silver Corp.	**-**	**$ -**	34,350	$ 2,405
Anglo Swiss Resources Inc.	**-**	**-**	333,333	3,333
Medgold Resources Corp.	**3,147,418**	**267,531**	800,000	104,000
PJX Resources Inc. (Note 8)	**700,000**	**140,000**	700,000	98,000
		$ 407,531		$ 207,738

7. EQUIPMENT

Cost	Vehicles	Computers	Machinery/ Equipment	Building	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	(48,588)	-	(116,368)	-	(164,956)
Acquisition of KG46 Holdings Ltd. (Note 9)	26,099	-	856,562	380,000	1,262,661
Write-down of equipment	(121,167)	-	(661,600)	-	(782,767)
Balance, February 28, 2015	**$ -**	**$ 28,583**	**$ 227,323**	**$ 380,000**	**$ 635,906**

Accumulated amortization	Vehicles	Computers	Machinery/ Equipment	Building	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	33,059	9,401	74,056	4,750	121,266
Disposals	(23,526)	-	(41,340)	-	(64,866)
Acquisition of KG46 Holdings Ltd. (Note 9)	14,521	-	152,829	33,250	200,600
Write-down of equipment	(95,116)		(163,114)	-	(258,230)
Balance, February 28, 2015	**$ -**	**$ 27,097**	**$ 97,323**	**$ 38,000**	**$ 162,420**

Carrying amount	Vehicles	Computers	Machinery/ Equipment	Building	Total
Balance, February 28, 2014	$ 70,167	$ 10,887	$ 73,837	$ -	$ 154,891
Balance, February 28, 2015	**$ -**	**$ 1,486**	**$ 130,000**	**$ 342,000**	**$ 473,486**

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS

	Placer Claims	Yukon Claims	Total
	$	$	$
Acquisition costs:			
Balance, February 28, 2014	-	1,364,222	1,364,222
Additions	-	55,773	55,773
Acquisition of Klondike Star (Note 14)	-	1,698,848	1,698,848
Acquisition of KG46 Holdings Ltd. (Note 9)	1,167,436	-	1,167,436
Balance, February 28, 2015	1,167,436	3,118,843	4,286,279
Exploration costs:			
Balance, February 28, 2014	-	3,424,043	3,424,043
Consulting & wages	15,484	130,296	145,780
Camp supplies	-	11,837	11,837
Fuel	-	6,823	6,823
Lab analysis	-	11,058	11,058
Property maintenance	10,010	38,279	48,289
Travel	-	6,443	6,443
Gold sales (Note 9)	(216,341)	-	(216,341)
Balance, February 28, 2015	(190,847)	3,628,779	3,437,932
Total costs:			
Balance, February 28, 2015	976,589	6,747,622	7,724,211

(Expressed in Canadian dollars)

	Portugal Claims	Ontario Claims	British Columbia Claims	Yukon Claims	Total
	$	$	$	$	$
Acquisition costs:					
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
Exploration costs:					
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
Total costs:					
Balance, February 28, 2014	-	-	-	4,788,265	4,788,265

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 15), 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 14). The purpose of the acquisition was to enable Klondike Gold to consolidate ownership of the gold properties in the Yukon.

d) Portuguese Exploration Licenses

The Company previously held five exploration licenses totaling approximately 604 km2 area prospective for gold from the Portuguese Department of Energy & Geology.

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 February 28, 2015, the Company has received $150,000 cash and $350,000 in common shares of Medgold.

The Company retains a 2% NSR over the Portugese exploration licenses, of which Medgold Resource Ltd. may purchase all or parts of the NSR for $1,000,000 per percentage point.

9. ACQUISITION OF KG46 HOLDINGS LTD

During the year ended February 28, 2013, the Company and 46799 Yukon Inc. ("Yukon Inc.") entered into a joint arrangement agreement. Each company owned 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.

On September 16, 2014, the Company closed the acquisition of 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.

Prior to September 16, 2014, the Company's interest in the Joint Venture was reflected as an Investment in Joint Venture, all project related costs were recorded in KG46 and the Company accounted for its interest in the joint venture under the equity method.

(Expressed in Canadian dollars)

Equity Investment Continuity

	March 1, 2014 to September 16, 2014	Year ended February 28, 2014
Opening balance	**$ 540,026**	$ 126,657
Current period (repayments) contributions	**(87,572)**	814,037
Share of loss in joint venture investment	**(33,061)**	(400,668)
Closing balance	**$ 419,393**	$ 540,026

The transaction is being accounted for as a business combination with the Company identified as the acquirer. As KG46 was previously accounted for using the equity method, upon acquiring control the difference between the carrying value at the time of the acquisition and the fair value, in the amount of $195,624, was recognized as a gain on the consolidated statement of comprehensive income (loss). The results of KG46 after the acquisition date have been consolidated in the Company's financial results.

The following table summarizes the consideration paid and the fair values of the assets acquired and liabilities assumed, recognized as of the acquisition date:

Purchase price	
Fair value of previously held equity interest	$ 615,017
Consideration	1,287,000
Total purchase price	$ 1,902,017
Fair value of assets acquired and liabilities assumed	
Cash	$ 280
Amounts receivable	14,562
Equipment	1,062,061
Exploration and evaluation assets	1,116,498
Amounts payable	(61,384)
Mortgage payable	(230,000)
	$ 1,902,017

Assignment of Lease on Indian River Property

During the year ended February 28, 2015, 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 year ended February 28, 2015, royalties of $216,341 were received and netted against capitalized exploration & evaluation assets.

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 year ended February 28, 2015, 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. During the year ended February 28, 2015, the principal of $729,000 and accrued interest of $51,897 was settled in full (Note 13(b)).

11. MORTGAGE PAYABLE

On July 15, 2012, KG46 Holdings Ltd. entered into a $380,000 mortgage agreement. The agreement requires quarterly payments of $18,000, over 3 years, with the balance remaining to be paid within 30 days after the end of term - July 15, 2015. The mortgage is carried at 3% interest per annum. During the year ended February 28, 2015, principal payments of $126,000 and interest payments of $14,844 were made.

12. RELATED PARTY BALANCES AND TRANSACTIONS

The Company entered into the following transactions and had the following balances payable with related parties during the year ended February 28, 2015. The transactions were recorded at fair value. Balances outstanding are non-interest bearing, unsecured and had no specific terms for collection or repayment.

a) The Company paid consulting fees of $138,500 (2014 – nil) to Atlantic Zinc Resources Ltd., a company owned by the CEO of the Company. As at February 28, 2015, $12,075 was payable to Atlantic Zinc Resources Ltd.

b) Under an agreement for services and cost recovery, the Company was charged administration fees of nil (2014 – $19,919) by a company controlled by a former director. The agreement has been terminated.

c) The Company was charged $148,153 (2014 – $45,000) by Fiore Management and Advisory Corp. ("Fiore"), a company whose CEO is a director of the Company, for corporate administration services. Share based compensation of $36,047 was recorded on options granted to Fiore during the year ended February 28, 2015 (2014 – nil).

Key Management Compensation

Included in share based compensation for the year ended February 28, 2015 was $194,462 for options granted to directors and officer officers of the Company (2014 - $150,748 to former directors and officers of the Company).

13. 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.

(Expressed in Canadian dollars)

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)).

On September 16, 2014, 6,435,000 common shares were issued pursuant to the acquisition of 46799 Yukon Inc. (Note 9).

On November 17, 2014, the Company closed a non-brokered private placement of 3,125,000 flow through shares at a price of $0.20 per share for gross proceeds of $625,000 and 9,568,082 non-flow through units at a price of $0.18 per unit for gross proceeds of $1,722,255. Each non-flow through unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.20 per common share until November 17, 2017.

On December 15, 2014, the Company closed a non-brokered private placement of 875,000 flow through shares at a price of $0.20 per share for gross proceeds of $175,000 and 933,395 non-flow through units at a price of $0.18 per unit for gross proceeds of $168,011. Each non-flow through unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.20 per common share until December 15, 2017.

Share issue costs of $81,483 were incurred in relation to the private placements.

The Company uses the residual value method to value warrants associated with unit financings. As the financings which closed during the year ended February 28, 2015 was not issued at a premium to the market price of the Company's shares, no value has been attributed to the warrants.

A flow-through share premium of $40,000 was allocated to the flow-through portion of the private placement based on the difference between the issuance price and the market price of the Company's shares.

c) Share Purchase Warrants

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	4.10
Issued	12,657,265	1.00
Expired	(73,333)	15.00
Balance, February 28, 2015	13,011,015	$ 0.38

(Expressed in Canadian dollars)

As at February 28, 2015 the following share purchase warrants were outstanding:

Number of Warrants	Weighted Average Exercise Price	Expiry Date
293,750	$2.00	October 22, 2015
60,000	1.20	October 30, 2016
2,155,788	1.00	January 18, 2017
9,568,082	0.20	November 17, 2017
933,395	0.20	December 15, 2017
13,011,015	$0.38	

As at February 28, 2015 the weighted average remaining contractual life of the share purchase warrants was 2.50 years and the weighted average exercise price was $0.38 (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.

On November 17, 2014, 9,568,082 warrants were issued pursuant to the private placement discussed in note 13(b). The warrants are exercisable at a price of $0.20 per common share until November 17, 2017.

On December 15, 2015, 933,395 warrants were issued pursuant to the private placement discussed in note 13(b). The warrants are exercisable at a price of $0.20 per common share until December 15, 2017.

During the year ended February 28, 2015, 73,333 share purchase warrants expired unexercised.

d) Share Options

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.

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	(639,266)	(1.50)
Granted	2,850,000	0.12
Balance, February 28, 2015	2,850,000	$ 0.12

On December 16, 2014, 2,850,000 stock options were granted to directors, officers, employees, charities and consultants of the company. The options are exercisable at a price of $0.12 per share until December 16, 2024. The fair value of the stock options was estimated on the date of grant in the amount of $270,350 using the Black-Scholes valuation model with the following assumptions i) exercise price per share of $0.12; ii) expected share price volatility of 75%; iii) risk free interest rate of 2.30%; iv) no dividend yield. All of these options vested immediately.

(Expressed in Canadian dollars)

The following summarizes stock options outstanding and exercisable as at February 28, 2015:

Number of Options Oustanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Expiry Date
2,850,000	$0.12	9.81	December 16, 2024

f) Flow-Through Expenditure Commitments

As at February 28, 2015, $800,000 of flow-through funds remain to be spent.

14. 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

15. 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 14).

(Expressed in Canadian dollars)

For the year ended February 28, 2015 the loss allocated to non-controlling interests of the subsidiary was $4,534 (February 28, 2014: $13,886). As at February 28, 2015, 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 14).

16. 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.

17. 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 February 28, 2015, 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
Financial assets	$	$	$	$	$
Cash	956,598	-	-	956,598	956,598
Restricted cash	10,000	-	-	10,000	10,000
Available-for-sale Investments	-	-	407,531	407,531	407,531
Reclamation Bonds	3,500	-	-	3,500	3,500
Amounts receivable	-	41,610	-	41,610	41,610
	970,098	41,610	407,531	1,419,239	1,419,239
Financial liabilities	$	$	$	$	$
Trade and other payables	-	(74,536)	-	(74,536)	(74,536)
Due to related parties	-	(12,075)	-	(12,075)	(12,075)
Mortgage payable	-	(176,000)	-	(176,000)	(176,000)
	-	(262,611)	-	(262,611)	(262,611)

At February 28, 2015 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 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.

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.

c) 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.

(Expressed in Canadian dollars)

18. COMMITMENTS

Operating Lease Commitment

The Company leases office premises with a remaining lease term of 2 years. The Company's commitment for future minimum payments in respect of the operating lease commitment is as follows:

	February 28, 2015
Short-term portion of the lease (<1 Year)	$ 20,962
Long-term portion of the lease (Year 2)	19,849
	$ 40,811

KG46 holds a mortgage with a remaining term of 0.3 years. KG46's commitment for future minimum payments in respect of the mortgage commitment is as follows:

	February 28, 2015
Short-term portion of the mortgage (<1 Year)	$ 176,000

19. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended February 28, 2015, the Company issued 1,229,345 common shares pursuant to the acquisition of KSMC (Note 14) at a deemed price of $0.20 for total consideration of $245,869.

During the year ended February 28, 2015, the Company issued 2,155,788 share purchase warrants pursuant to the settlement of outstanding amounts payable of KSMC of $1,157,335 (Note 13(c)).

During the year ended February 28, 2015, the Company issued 6,435,000 common shares pursuant to the acquisition of the remaining 50% of KG46 Holdings Ltd. (Note 9) at a deemed price of $0.20 for total consideration of $1,287,000.

During the year ended February 28, 2015, the Company exchanged equipment in the amount of $49,753 for two Yukon mineral claims. During the year ended February 28, 2015, the Company received 2,347,418 shares of Medgold in settlement of a $250,000 receivable.

Interest on notes payable of $51,897 was paid during the year ended February 28, 2015 (2014: nil). No cash was paid for income taxes during the years ended July 31, 2014 or 2013.

(Expressed in Canadian dollars)

20. INCOME TAXES

The recovery of income taxes shown in the statements of loss and deficit differs from the amounts obtained by applying statutory Federal and Provincial tax rates to the years ended February 28, 2015 and 2014:

	2015	2014
Statutory tax rate	26%	26%
	$	$
Income tax recovery at statutory rates	(398,000)	(1,570,000)
Effect of change in tax rates	-	(151,000)
Permanent difference	141,000	144,000
Flow-through renunciations	208,000	21,000
Change in estimate	(4,957,000)	-
Change in tax assets not recognized	4,916,000	1,444,000
Other	90,000	43,300
	-	(69,700)

The Company is permitted, under Canadian income tax legislation, to renounce flow-through related resource expenditures to investors in advance of the Company incurring the expenditure. In accordance with this legislation, the Company has twelve months following the effective date of renunciation to incur the expenditures. The Company begins incurring interest charges for unspent funds after one month and fees for unspent funds at the end of the calendar year following the effective date of renunciation, and until such time as funds are fully expended.

The significant components of the Company's deferred income taxes are as follows:

	2015	2014
	$	$
Marketable securities	10,000	9,000
Capital assets	208,000	45,000
Non-capital loss carry forwards	7,215,000	2,256,000
Capital loss carry forwards	700,000	630,000
Resource deductions	1,769,000	2,168,000
Other deductible temporary differences	123,000	
Share issue costs	26,000	27,000
	10,051,000	5,135,000
Deferred tax assets not recognized	(10,051,000)	(5,135,000)
Net deferred income tax assets	-	-

The Company has available non-capital losses of approximately $27,750,000 which may be carried forward and offset against future Canadian taxable income and expire between 2015 and 2035.

The Company has capital losses carried forward of approximately $5,386,000 (2014: $4,843,000) that may be carried forward indefinitely.

The Company has Canadian resource pools of approximately $14,699,000 (2014: $13,127,000) available to offset future taxable income. The tax benefit of these amounts is available for carry-forward indefinitely.