KLONDIKE GOLD CORP.

Consolidated Financial Statements

For The Years Ended
February 28, 2018 and 2017
(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Klondike Gold Corp.

We have audited the accompanying consolidated financial statements of Klondike Gold Corp., which comprise the consolidated statements of financial position as at February 28, 2018 and 2017, and the consolidated statements of net loss and 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.

Auditors' 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 auditors' 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, these consolidated financial statements present fairly, in all material respects, the financial position of Klondike Gold Corp. as at February 28, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

June 21, 2018

A member of Nexia International

KLONDIKE GOLD CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	February 28, 2018	February 28, 2017
Assets		
Current assets		
Cash and cash equivalents	**$ 6,534,026**	$ 990,492
Restricted cash (Note 5)	**50,000**	50,000
Amounts receivable	**38,895**	70,950
Prepaid expenses and deposits	**42,654**	42,196
Total current assets	**6,665,575**	1,153,638
Investments (Note 6)	**-**	426,022
Reclamation bond	**3,500**	3,500
Property and equipment (Note 7)	**321,734**	364,219
Exploration and evaluation assets (Note 8)	**15,015,509**	11,614,859
Total assets	**$ 22,006,318**	$ 13,562,238
Liabilities		
Current liabilities		
Trade and other payables	**$ 189,445**	$ 221,788
Due to related parties (Note 9)	**24,150**	-
Flow-through premium (Note 10(b))	**249,194**	-
	462,789	221,788
Equity		
Share capital (Note 10)	**73,958,692**	64,450,656
Reserves (Note 10)	**5,662,247**	5,370,970
Deficit	**(58,077,410)**	(56,481,176)
Total equity	**21,543,529**	13,340,450
Total liabilities and equity	**$ 22,006,318**	$ 13,562,238

Nature of operations (Note 1)
Subsequent events (Notes 4, 10)
Commitment (Note 13)

Approved by the Board of Directors and authorized for issue on June 21, 2018:

"Peter Tallman" Director

"Gordon Keep" Director

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

KLONDIKE GOLD CORP.

CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
For the years ended February 28, 2018 and 2017
(Expressed in Canadian dollars)

	2018	2017
Expenses		
Consulting (Note 9)	**$ 319,416**	$ 163,905
Depreciation (Note 7)	**82,985**	69,943
Management fees and wages (Note 9)	**531,613**	309,047
Marketing	**378,888**	35,409
Office and miscellaneous (Note 13)	**180,412**	108,520
Professional fees	**85,887**	67,371
Regulatory and transfer agent	**64,599**	51,321
Share-based compensation (Note 10(d))	**283,910**	411,996
Travel	**69,822**	31,806
	(1,997,532)	(1,249,318)
Gain on sale of available-for-sale investments (Note 6)	**96,820**	37,997
Gain on sale of exploration and evaluation assets (Note 8(b))	**100,000**	392,000
Interest income	**64,681**	5,594
Other income - flow-through (Note 10(b))	**243,797**	36,436
Unrealized gain (loss) on warrants (Note 6)	**(104,000)**	17,000
Net loss for the year	**(1,596,234)**	(760,291)
Other comprehensive income (loss)		
Unrealized income on available-for-sale investments	**-**	204,147
Reclassification on sale of available-for-sale investments	**(57,349)**	(4,400)
Other comprehensive income (loss)	**(57,349)**	199,747
Net loss and comprehensive loss for the year	**(1,653,583)**	(560,544)
Basic and diluted loss per share	**$ (0.02)**	$ (0.02)
Weighted average number of common shares outstanding	**79,637,520**	48,544,861

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 Premium	Share-based Payments	Available-For-Sale Financial Assets	Deficit	Shareholders' Equity	Non-Controlling Interest	Total Equity
At February 29, 2016	37,974,041	$ 60,136,645	$ 27,405	$ 4,888,449	$ (142,398)	$ (55,750,073)	$ 9,160,028	$ 97,398	$ 9,257,426
Private placement	7,546,858	1,830,960	-	-	-	-	1,830,960	-	1,830,960
Private placement - flow-through	3,643,585	986,640	-	-	-	-	986,640	-	986,640
Flow-through premium	-	(36,436)	-	-	-	-	(36,436)	-	(36,436)
Shares issued as finders fees	58,571	8,200	-	-	-	-	8,200	-	8,200
Share issuance costs	-	(81,742)	-	-	-	-	(81,742)	-	(81,742)
Share-based compensation	-	-	-	411,996	-	-	411,996	-	411,996
Exercise of stock options	150,000	32,229	-	(14,229)	-	-	18,000	-	18,000
Exercise of warrants	1,945,803	374,160	-	-	-	-	374,160	-	374,160
Shares issued on acquisition (Note 8)	3,000,000	1,200,000	-	-	-	-	1,200,000	-	1,200,000
Klondike Star share purchase acquisition (Note 4)	-	-	-	-	-	29,188	29,188	(97,398)	(68,210)
Net loss and comprehensive loss	-	-	-	-	199,747	(760,291)	(560,544)	-	(560,544)
At February 28, 2017	54,318,858	$ 64,450,656	$ 27,405	$ 5,286,216	$ 57,349	$ (56,481,176)	$ 13,340,450	$ -	$ 13,340,450
At February 28, 2017	54,318,858	$ 64,450,656	$ 27,405	$ 5,286,216	$ 57,349	$ (56,481,176)	$ 13,340,450	$ -	$ 13,340,450
Private placement	5,722,680	1,659,577	-	-	-	-	1,659,577	-	1,659,577
Private placement - flow-through	19,824,774	5,340,423	-	-	-	-	5,340,423	-	5,340,423
Flow-through premium	-	(492,991)	-	-	-	-	(492,991)	-	(492,991)
Share issuance costs	-	(557,751)	-	178,436	-	-	(379,315)	-	(379,315)
Share-based compensation	-	-	-	283,910	-	-	283,910	-	283,910
Exercise of stock options	1,088,500	258,840	-	(113,720)	-	-	145,120	-	145,120
Exercise of warrants	15,715,707	3,299,891	-	-	-	-	3,299,891	-	3,299,891
Shares issued to Klondike Star shareholders (Note 4)	13,362	47	-	-	-	-	47	-	47
Net loss and comprehensive loss	-	-	-	-	(57,349)	(1,596,234)	(1,653,583)	-	(1,653,583)
At February 28, 2018	96,683,881	$ 73,958,692	$ 27,405	$ 5,634,842	$ -	$ (58,077,410)	$ 21,543,529	$ -	$ 21,543,529

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, 2018 and 2017
(Expressed in Canadian dollars)

	2018	2017
Operating activities		
Net loss for the year	**$ (1,596,234)**	$ (760,291)
Items not involving cash:		
Depreciation	**82,985**	69,943
Share-based compensation	**283,910**	411,996
Gain on sale of exploration and evaluation assets	**-**	(392,000)
Unrealized (gain) loss on warrants	**104,000**	(17,000)
Gain on sale of available-for-sale investments	**(96,820)**	(37,997)
Other income - flow-through	**(243,797)**	(36,436)
Changes in non-cash working capital items:		
Amounts receivable	**32,055**	(56,777)
Prepaid expenses and deposits	**(458)**	34,395
Due to related parties	**24,150**	(12,075)
Trade and other payables	**28,188**	32,925
Cash used in operating activities	**(1,382,021)**	(763,317)
Financing activities		
Proceeds on issuance of common shares, net of share issuance costs	**6,605,949**	2,744,059
Proceeds from exercise of options	**145,120**	18,000
Proceeds from exercise of warrants	**3,299,891**	374,160
Cash provided by financing activities	**10,050,960**	3,136,219
Investing activities		
Property and equipment additions	**(40,500)**	(27,829)
Exploration and evaluation asset expenditures	**(3,434,115)**	(2,253,356)
Sale of exploration and evaluation assets	**-**	50,000
Sale of available-for-sale investments	**349,210**	350,787
Restricted cash	**-**	(25,000)
Cash used in investing activities	**(3,125,405)**	(1,905,398)
Change in cash and cash equivalents during the year	**5,543,534**	467,504
Cash and cash equivalents, beginning of year	**990,492**	522,988
Cash and cash equivalents, end of year	**$ 6,534,026**	$ 990,492
Cash and cash equivalents is comprised of:		
Cash	**$ 5,846,695**	$ 425,492
Cash equivalents	**687,331**	565,000
	$ 6,534,026	$ 990,492

Supplemental cash flow information (Note 15)

1. NATURE OF OPERATIONS

Klondike Gold Corp. ("Klondike Gold Corp." or the "Company") is a Vancouver-based resource exploration company listed on the TSX Venture Exchange under the symbol "KG" and the Frankfurt Stock Exchange under the symbol "LBDP". 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 2500 – 700 West Georgia St., V6Y 1B3.

For the year ended February 28, 2018, the Company reported a loss of $1,596,234, and an accumulated deficit of $58,077,410 at that date. The Company had working capital of $6,202,786 and cash and cash equivalents of $6,534,026 at February 28, 2018.

During the year ended February 28, 2018, the Company closed private placements for gross proceeds of $7,000,000 (Note 10). Although the Company presently has sufficient financial resources to cover its existing obligations and operating costs and undertake its currently planned programs for the next year, the Company expects to require further funding in the longer term to fund ongoing exploration and evaluation activities.

2. BASIS OF PRESENTATION

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 consolidated financial 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, and available-for-sale, which are stated at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Foreign Currencies

The presentation and functional currency of the Company 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 translated using the exchange rate as at the date of the initial transaction.

2. BASIS OF PRESENTATION (continued)

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.

Non-controlling interest in the net assets of the consolidated subsidiaries are identified separately from the Company's equity. The non-controlling interest consists of the non-controlling interest's portion of net assets and profit or loss.

During the year ended February 28, 2017, Klondike Star Mineral Corp. ("Klondike Star") and Klondike Gold Corp. were amalgamated as one entity (Note 4).

e) Financial Instruments

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 on the statements of financial position at fair value with changes in fair value recognized in profit or 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 profit or loss.

2. BASIS OF PRESENTATION (continued)

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 profit or 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.

<u>Financial liabilities</u>

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 on the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category comprises liabilities that are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

f) Comprehensive Income (Loss)

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

g) Cash and Cash Equivalents

Cash consists of balances with banks, and cash equivalents consist of term deposits with maturities within three months from the date of issue, or that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company places its cash and cash equivalents with institutions of high credit worthiness.

2. BASIS OF PRESENTATION (continued)

h) Exploration and Evaluation Assets

Exploration and evaluation assets include the costs of acquiring licenses, and costs associated with exploration and evaluation activity. 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) insufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

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.

i) Property and Equipment

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

2. BASIS OF PRESENTATION (continued)

Vehicles	3 years straight line basis
Machinery and equipment	3-5 years straight line basis
Building	20 years straight line basis

An item of property and 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.

j) Impairment of Non-Financial Assets

Impairment tests on non-financial assets, including exploration and evaluation assets are performed 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.

The impairment test is carried out at the cash-generating unit level, which is the smallest identifiable group of assets for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is recognized in profit or loss. An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. The Company's exploration and evaluation asset policy in Note 2(h) above specifically discusses impairment factors.

k) 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.

2. BASIS OF PRESENTATION (continued)

Discount rates, using a pre-tax risk-free rate, are used to calculate the present value. Over time, the discounted liability is increased for the changes in present value based on current market discount rates, and may change due to the amount or timing of the underlying cash flows needed to settle the obligation.

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.

At February 28, 2018 and 2017, the Company did not incur any such obligations.

l) Share Capital

i) Non-monetary consideration

Finders warrants, stock options and other equity instruments issued as consideration in non-monetary transactions other than as consideration for exploration and evaluation assets are recorded at fair value as determined by management. Proceeds from unit placements are allocated between common shares and warrants using the residual value method, which allocates value first to the fair value of the common shares and the balance, if any, is allocated to the attached warrants.

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 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. Where the flow-through common share is issued as part of a unit, the value is first allocated between the unit and the flow-through premium, and then bifurcated between the common share and the warrant on a residual value basis.

As qualified expenses are incurred the Company relieves the liability and recognizes the premium in profit or loss as other income.

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 stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based compensation expense with a corresponding increase in reserves within equity. An individual is classified

2. BASIS OF PRESENTATION (continued)

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 stock 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 equity are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as deferred financing costs. Share issuance costs related to uncompleted share subscriptions are charged to profit or loss.

m) Income Taxes

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

2. BASIS OF PRESENTATION (continued)

n) 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. 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 require management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Share-based compensation

Management is required to make certain estimates when determining the fair value of stock option awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in profit or loss. For the year ended February 28, 2018, the Company recognized $283,910 in share-based compensation expense (February 28, 2017: $411,996).

Critical accounting judgments

In the preparation of these consolidated financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Mineral properties under exploration

The carrying amount of the Company's exploration and evaluation asset properties does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

Income taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

New and future accounting standards and interpretations

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

IFRS 9 - New standard that replaced IAS 39 for classification and measurement of financial assets, which is effective for annual periods beginning on or after January 1, 2018. The Company does not expect the adoption of this standard to have a significant measurement impact on its consolidated financial statements.

IFRS 16 - Leases applies to lessees, requiring the recognition of assets and liabilities for most leases and eliminates the distinction between operating and financing leases, effective for annual periods beginning on or after January 1, 2019.

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

4. KLONDIKE STAR ACQUISITION

Pursuant to a December 2016 merger agreement between the Company and Klondike Star, formerly a subsidiary of the Company, each remaining issued and outstanding share of Klondike Star's common stock (being 19,488,640), will be automatically converted into the right to receive either i) 0.025 shares of common stock of Klondike Gold Corp., or ii) $0.0035 per share of Klondike Star in cash. The former shareholders of Klondike Star have until December 2019 to tender the necessary documentation to convert their shareholdings.

(Expressed in Canadian dollars)

4. KLONDIKE STAR ACQUISITION (continued)

As a result of the above merger, the Company accrued in trade and other payables a liability of $68,210 as at February 28, 2017, being $0.0035 times the total number of Klondike Star shares held by former shareholders. As the necessary documentation is received, the Company will settle its obligation with cash or shares as applicable and draw down this liability.

This value represents the cost of the Company to acquire the remaining non-controlling interest in Klondike Star, which had a balance of $97,398 immediately prior to this merger. The excess value of the non-controlling interest of $29,188 has been charged to deficit during the year ended February 28, 2017.

During the year ended February 28, 2018, the Company paid out $7,819 for 2,233,809 Klondike Star shares tendered by Klondike Star shareholders and issued 13,362 common shares of the Company, with a value of $47, for 534,479 Klondike Star shares tendered by Klondike Star shareholders. As at February 28, 2018, the remaining liability is $60,344 (February 28, 2017: $68,210). Subsequent to February 28, 2018, the Company paid out $2 for 450 Klondike Star shares tendered by Klondike Star shareholders.

5. RESTRICTED CASH

The Company maintains one-year term deposits, which automatically renew at maturity, as collateral for the credit cards, of $10,000 (February 28, 2017 - $10,000), $15,000 (February 28, 2017 - $15,000), and $25,000 (February 28, 2017 - $25,000). The Company has the ability to cancel its credit cards and receive the term deposits in full.

6. INVESTMENTS

	As of February 28, 2018		As of February 28, 2017	
	Shares	**Fair Value**	Shares	Fair Value
Rise Gold Corp. shares (Note 8(b)) (1)	**-**	**$ -**	1,357,000	$ 291,797
Rise Gold Corp. warrants (Note 8(b))	**1,500,000**	**-**	1,500,000	104,000
PJX Resources Inc. (2)	**-**	**-**	155,000	30,225
		$ -		$ 426,022

(1) During the year ended February 28, 2018, 1,357,000 shares of Rise Gold Corp (formerly Rise Resources Inc.) (“Rise”) with a cost basis of $230,690 were sold for net proceeds of $321,762 resulting in a gain on sale of $91,072. During the year ended February 28, 2017, 143,000 shares of Rise with a cost basis of $24,310 were sold for net proceeds of $33,805 resulting in a gain on sale of $9,495.

(2) During the year ended February 28, 2018, 155,000 shares of PJX Resources Inc. (“PJX”) with a cost basis of $21,700 were sold for net proceeds of $27,448 resulting in a gain on sale of $5,748. During the year ended February 28, 2017, 175,000 shares of PJX with a cost basis of $24,500 were sold for net proceeds of $38,100 resulting in a gain on sale of $13,600.

(3) During the year ended February 28, 2017, the remaining shares of Medgold Resources Corp. with a cost basis of $263,980 were sold for net proceeds of $278,882 resulting in a gain on sale of $14,902.

(Expressed in Canadian dollars)

6. INVESTMENTS (continued)

During the year ended February 28, 2017, the Company received 1,500,000 Rise shares and 1,500,000 Rise warrants, exercisable at a price of $0.227 per share until July 13, 2018. The fair value of the warrants on receipt was $87,000, or $0.058 per warrant (Note 8(b)). The Black-Scholes fair value of the warrants as of February 28, 2017, was $104,000, or $0.07 per warrant, using the following assumptions:

	2017
Risk-free interest rate	0.49%
Expected life	1.37 years - 2 years
Annualized volatility	75.00%
Dividend rate	0.00%

The Company has reviewed the valuation of the Rise warrants and determined them to have minimal future economic benefit to the Company, and has adjusted them to a $nil fair value as at February 27, 2018, resulting in an unrealized loss on warrants of $104,000.

7. PROPERTY AND EQUIPMENT

Cost	Vehicles	Machinery/ Equipment	Building	Total
Balance, February 29, 2016	$ -	$ 222,323	$ 380,000	$ 602,323
Additions	25,500	2,329	-	27,829
Balance, February 28, 2017	25,500	224,652	380,000	630,152
Additions	40,500	-	-	40,500
Balance, February 28, 2018	**$ 66,000**	**$ 224,652**	**$ 380,000**	**$ 670,652**

Accumulated depreciation	Vehicles	Machinery/ Equipment	Building	Total
Balance, February 29, 2016	$ -	$ 138,990	$ 57,000	$ 195,990
Depreciation	8,500	42,443	19,000	69,943
Balance, February 28, 2017	8,500	181,433	76,000	265,933
Depreciation	21,542	42,443	19,000	82,985
Balance, February 28, 2018	**$ 30,042**	**$ 223,876**	**$ 95,000**	**$ 348,918**

Carrying amount	Vehicles	Machinery/ Equipment	Building	Total
Balance, February 28, 2017	$ 17,000	$ 43,219	$ 304,000	$ 364,219
Balance, February 28, 2018	**$ 35,958**	**$ 776**	**$ 285,000**	**$ 321,734**

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS

	Placer Claims	Quartz Claims	Total
	$	$	$
Acquisition costs:			
Balance, February 28, 2017	1,167,436	4,852,843	6,020,279
Acquisition of Burkhard claims	-	20,000	20,000
Balance, February 28, 2018	1,167,436	4,872,843	6,040,279
Exploration costs:			
Balance, February 28, 2017	25,494	6,312,421	6,337,915
Consulting & wages	-	878,149	878,149
Camp supplies	-	192,413	192,413
Drilling	-	1,033,748	1,033,748
Fuel	-	75,718	75,718
Lab analysis	-	565,160	565,160
Property maintenance	-	155,203	155,203
Surveying	-	401,845	401,845
Travel	-	78,414	78,414
Balance, February 28, 2018	25,494	9,693,071	9,718,565
Royalty payments received:			
Balance, February 28, 2017 and February 28, 2018	(743,335)	-	(743,335)
Total costs:			
Balance, February 28, 2018	449,595	14,565,914	15,015,509

	Placer Claims	Quartz Claims	Total
	$	$	$
Acquisition costs:			
Balance, February 29, 2016	1,167,436	3,118,843	4,286,279
Acquisition of Gimlex claims	-	1,734,000	1,734,000
Balance, February 28, 2017	1,167,436	4,852,843	6,020,279
Exploration costs:			
Balance, February 29, 2016	25,494	4,554,476	4,579,970
Consulting & wages	-	504,402	504,402
Camp supplies	-	88,917	88,917
Drilling	-	522,464	522,464
Fuel	-	60,251	60,251
Lab analysis	-	228,727	228,727
Property maintenance	-	202,424	202,424
Surveying	-	44,068	44,068
Travel	-	106,692	106,692
Balance, February 28, 2017	25,494	6,312,421	6,337,915
Royalty payments received:			
Balance, February 29, 2016 and February 28, 2017	(743,335)	-	(743,335)
Total costs:			
Balance, February 28, 2017	449,595	11,165,264	11,614,859

8. EXPLORATION AND EVALUATION ASSETS (continued)

a) Yukon Quartz and Placer Claims

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

These claims include a large contiguous group of claims acquired by staking and option agreements, which include both the quartz and placer claims, which the Company considers to be one cash-generating unit.

Acquisition of Burkhard claims

During the year ended February 28, 2018, the Company executed a Property Acquisition Agreement of a 100% interest in mining claims located in the Dawson mining district, Yukon Territory for consideration of $20,000. The Company has also granted a 2% Net Smelter Returns ("NSR") Royalty to the vendor in respect of the Burkhard claims of which the Company may purchase one-half of the NSR Royalty (being a 1% NSR Royalty) for cash in the amount of $1,000,000 at any time.

Acquisition of Gimlex claims

In August 2016, the Company entered into a property acquisition agreement (the "Agreement") with Gimlex Enterprises Ltd. ("Gimlex") for the purchase by the Company of a 100% interest in Gimlex's mining claims located in the Dawson mining district, Yukon Territory.

The terms for the Agreement are as follows:

- Payment of $500,000 in cash to Gimlex (completed).
- Issuance to Gimlex of 3,000,000 common shares of the Company. The 3,000,000 common shares were valued at $0.40 per share, for total consideration of $1,200,000 (completed).
- Granting to Gimlex of a 2% Net Smelter Returns ("NSR") Royalty in respect of the Gimlex property, of which the Company may purchase one-half of the NSR Royalty (being a 1% NSR Royalty) from Gimlex for cash in the amount of $1,500,000 at any time.

Transaction costs of $34,000 were incurred by the Company, all of which was capitalized to exploration and evaluation assets during the year ended February 28, 2017.

Assignment of Lease on Indian River Property

The Company holds a 100% interest in the Indian River property where it formerly operated a placer mining operation south of Dawson City, Yukon. The interest in the property is subject to an existing third party 5% royalty on production of gold or other minerals.

8. EXPLORATION AND EVALUATION ASSETS (continued)

As of February 28, 2018 and 2017, the Company has received $743,335 in royalty payments, pursuant to a lease agreement, which are netted against capitalized exploration and evaluation asset costs. The assignee removed equipment and completed reclamation of mined areas as of February 28, 2017.

b) British Columbia ("B.C.") Claims

The Company holds title to a portfolio of mineral claims in south-eastern B.C., prospective for gold and base metals. The carrying value of which was written-down to $nil during the year ended February 28, 2014. The Company retains a royalty equal to 1% of NSR from minerals produced from its Vine Extension Property, sold to PJX in 2014.

During the year ended February 28, 2017, the Company entered into a property purchase agreement (the "PPA") with Rise for the acquisition by Rise of 100% of a portfolio of certain of the Company's B.C. properties.

The terms for the PPA were as follows:

- Payment of $50,000 in cash, 1,500,000 Rise shares, and 1,500,000 Rise warrants, exercisable at a price of $0.227 per share until July 13, 2018 (received). The 1,500,000 shares were valued at $0.17 per share, warrants valued at $87,000, and combined with the cash payment equaled total consideration of $392,000.
- Payment in July 2017, of $150,000 in cash, 2,000,000 Rise shares and 1,000,000 Rise warrants to purchase 1,000,000 Rise shares until July 2019.

During the year ended February 28, 2018, the Company accepted $100,000 in cash (received) and the return of the B.C. claims in exchange for cancelling the purchase and sale agreement with Rise, including the July 2017 obligations. Rise does not retain any interest in the B.C. claims. The Company recorded a gain on sale of exploration and evaluation assets of $100,000 on the statement of net loss and comprehensive loss.

c) Net Smelter Returns

<u>Ontario Claims</u>

The Company holds a 100% interest in the property subject to a 2% NSR of which half can be purchased for $1,000,000. The carrying value was written-down to $nil during the year ended February 28, 2014.

<u>Portuguese Exploration Licenses</u>

The Company previously held five exploration licenses prospective for gold from the Portuguese Department of Energy & Geology.

8. EXPLORATION AND EVALUATION ASSETS (continued)

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

9. RELATED PARTY BALANCES AND 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 have no specific terms of repayment.

a) During the year ended February 28, 2018, the Company was charged management fees of $238,000 (February 28, 2017 – $138,000) by a company owned by the CEO of the Company. Of this amount, $65,550 (February 28, 2017 - $71,875) was included in additions to exploration and evaluation assets. As at February 28, 2018, $24,150 (February 29, 2017 - $nil) was payable to this Company.

b) During the year ended February 28, 2018, the Company was charged $190,000 (February 28, 2017 – $156,336), $70,000 (February 28, 2017 – $28,706) of which was share issuance costs, by a company whose CEO is a director of the Company, for corporate administration services included in consulting on the statements of net loss and comprehensive loss.

<u>Key Management Compensation</u>

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Included in share-based compensation for the year ended February 28, 2018, was $202,793 for vested stock options granted to directors and officers of the Company, and affiliated companies of directors and officers of the Company (February 28, 2017 – $360,435).

10. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value.

b) *Issued during the year ended February 28, 2018*

<u>Private placement closed August 2017</u>

The Company issued 9,824,774 flow-through units at a price of $0.34 per unit for gross proceeds of $3,340,423. Each flow-through unit consists of flow-through share and one half of a warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $0.45 per common share until August 23 or 30, 2019.

A flow-through premium liability of $392,991 was allocated to the flow-through obligation of the private placement closed August 2017, and the remainder of proceeds were allocated to share capital. As at February 28, 2018, the Company has incurred eligible expenditures of $1,222,271 of the total obligation of $3,340,423, leaving a flow-through premium liability of $249,194.

10. SHARE CAPITAL (continued)

The Company concurrently issued 5,722,680 non flow-through units at a price of $0.29 for gross proceeds of $1,659,577, which has been allocated to share capital. Each non flow-through unit consists of one common share and one half of a warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $0.40 per common share until August 23, 2019. The Company allocated $nil value to the warrants.

Cash transaction costs of $347,086 were incurred as share issuance costs and 701,039 warrants were issued as finders fees in relation to this private placement with a value of $178,436. Each finders warrant entitles the holder to purchase one common share at an exercise price of $0.34 per common share until August 23 or 30, 2019. The finders warrants were fair valued using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.34; ii) expected share price volatility of 75%; iii) risk-free interest rate of 1.24%; iv) expected life of 2 years; v) no dividend yield.

Private placement closed April 2017

The Company issued 10,000,000 flow-through units at a price of $0.20 per unit for gross proceeds of $2,000,000. Each flow-through unit consists of one flow-through share and one warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.30 per common share until April 4, 2020. Cash transaction costs of $32,229 were incurred as share issuance costs in relation to this private placement.

A flow-through premium liability of $100,000 was allocated to the flow-through obligation of this private placement, and the remainder of proceeds were allocated to share capital. As at February 28, 2018, the Company has fulfilled the total obligation of $2,000,000. The flow-through premium was fully amortized to the statement of net loss and comprehensive loss for the year ended February 28, 2018, as other income – flow-through.

Issued during the year ended February 28, 2017

During the year ended February 28, 2017, the Company issued 760,250 flow through shares at a price of $0.16 per share for gross proceeds of $121,640 and 2,706,857 non flow-through units at a price of $0.14 per unit for gross proceeds of $378,960. Each unit consists of one common share and one common warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.20 per common share until April 4, 2019.

A flow-through premium liability of $7,603 was allocated to the flow-through obligation of this private placement, and the remainder of proceeds were allocated to share capital. During the year ended February 28, 2017, the Company incurred eligible expenditures of $121,640 and thus the flow-through premium was fully amortized to profit or loss for the year ended February 28, 2017, as other income - flow-through.

During the year ended February 28, 2017, the Company issued 4,000,000 non flow-through units at a price of $0.30 per unit for gross proceeds of $1,200,000. Each unit consists of one common share and one half of a warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $0.35 per common share until November 30, 2018.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

During the year ended February 28, 2017, the Company issued 2,883,335 flow-through units at a price of $0.30 per unit for gross proceeds of $865,000 and 840,001 non flow-through units at a price of $0.30 per unit for gross proceeds of $252,000. Each flow-through unit consists of one common share and one-half of a warrant. Each non flow-through unit consists of one common share and one-half of a warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $0.35 per common share until March 13, 2019.

A flow-through premium liability of $28,833 was allocated to the flow-through obligation of this private placement, and the remainder of proceeds were allocated to share capital. During the year ended February 28, 2017, the Company incurred eligible expenditures of $865,000 and thus the flow-through premium was fully amortized to profit or loss for the year ended February 28, 2017, as other income - flow-through.

Cash transaction costs of $73,542 were incurred as share issuance costs and 58,571 non flow-through units with a deemed value of $0.14 were issued as finders fees in relation to the non-brokered private placements closed during the year ended February 28, 2017.

c) A summary of the changes in warrants follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, February 29, 2016	16,132,265	$	0.30
Issued	6,627,094		0.23
Exercised	(1,945,803)		0.19
Expired	(2,215,788)		1.01
Balance, February 28, 2017	18,597,768		0.22
Issued	18,474,766		0.36
Exercised	(15,715,707)		0.21
Expired	(654,110)		0.16
Balance, February 28, 2018	20,702,717	$	0.35

As at February 28, 2018, the following warrants were outstanding:

Number of Warrants		Exercise Price	Expiry Date
2,000,000	$	0.35	November 30, 2018
1,761,666		0.35	March 13, 2019
1,441,286		0.20	April 4, 2019
149,389		0.34	August 23, 2019
2,861,340		0.40	August 23, 2019
1,809,386		0.45	August 23, 2019
551,650		0.34	August 30, 2019
3,103,000		0.45	August 30, 2019
7,025,000		0.30	April 4, 2020
20,702,717			

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

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

The Company has established a "rolling" Stock Option Plan (the "Plan"). Under the Plan, the number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. The maximum term of each stock option shall not be greater than 10 years. The exercise price of each option shall not be less than the market price of the Company's shares at the date of grant. Stock options granted to consultants performing Investor Relations Activities shall vest over a minimum of 12 months with no more than 1/4 of such stock options vesting in any three month period. All other stock options vest at the discretion of the Board of Directors.

	Number of Options	Weighted Average Exercise Price
Balance, February 29, 2016	2,850,000	$ 0.12
Granted	2,435,000	0.24
Exercised	(150,000)	0.12
Balance, February 28, 2017	5,135,000	0.17
Granted	1,400,000	0.26
Exercised	(1,088,500)	0.13
Balance, February 28, 2018	5,446,500	$ 0.20

The stock options granted during the period were fair valued using the Black-Scholes valuation model with the following assumptions:

	2018
Risk-free interest rate	1.36%
Expected life	10 years
Annualized volatility	75.00%
Dividend rate	0.00%

The following summarizes stock options outstanding and exercisable as at February 28, 2018:

Number of Options	Exercise Price	Expiry Date
1,786,500	$ 0.12	December 16, 2024
875,000	0.19	April 19, 2026
685,000	0.28	June 21, 2026
400,000	0.30	September 13, 2026
150,000	0.17	January 19, 2027
150,000	0.19	February 2, 2027
1,400,000	0.26	April 4, 2027
5,446,500		

Subsequent to February 28, 2018, 3,700,000 incentive stock options were granted to directors, officers, employees, and consultants of the Company, with an exercise price of $0.29 per share until March 28, 2028.

10. SHARE CAPITAL (continued)

Subsequent to February 28, 2018, 130,000 stock options with an exercise price of $0.12 and 20,000 stock options with an exercise price of $0.19 were exercised for total proceeds of $19,400.

Subsequent to February 28, 2018, 50,000 stock options with an exercise price of $0.29 were cancelled.

11. MANAGEMENT OF CAPITAL

The Company manages its cash and cash equivalents and components of equity 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 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 on deposit in an interest bearing Canadian chartered bank account.

The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the years ended February 28, 2018 and 2017.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Financial Instrument Classifications

The Company has classified cash and cash equivalents and restricted cash as fair value through profit or loss financial assets. Common shares and warrants of publicly traded companies included in investments are classified as available-for-sale. Amounts receivable, and reclamation bond are classified as loans and receivables. Trade and other payables, and due to related parties are classified as other financial liabilities.

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

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

The fair values of the Company's reclamation bond, amounts receivable, and trade and other payables approximate their carrying value, due to their short-term maturities. The Company's cash and cash equivalents, restricted cash, and investments are measured at fair value using Level 1 inputs. The Rise warrants, included in investments, are measured at fair value using Level 3 inputs (Note 6).

As at February 28, 2018, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a) Credit risk

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. Credit risk is attributable to cash and cash equivalents, restricted cash and amounts receivable. Cash and cash equivalents, and restricted cash, are held with large Canadian banks or brokerages. Management believes the risk of loss to be remote. The Company's amounts receivable is primarily comprised of amounts owing from the Government of Canada for input tax credits receivable. Accordingly, the Company does not believe it is subject to significant credit risk.

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. Moreover, the Company manages liquidity risk by actively pursuing additional share capital issuances to settle its obligations in the normal course of its operating, investing and financing to settle current liabilities of $213,595 (which excludes flow-through premium as a non-cash liability).

c) Market risk

Market risk is the risk 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: interest rate risk, currency risk, and price risk:

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

i) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company holds its cash and cash equivalents, and restricted cash in bank accounts that earn variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values of the Company's cash and cash equivalents, and restricted cash balances as at February 28, 2018. The Company does not have any interest bearing debt.

ii) Foreign currency risk

The Company does not transact in currencies other than the Canadian dollar, and is therefore not subject to foreign currency risk.

iii) 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. In addition, the Company's investments which comprise publicly traded equity securities and warrants exercisable into common shares of a public company, are subject to price risk.

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.

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

13. COMMITMENT

Lease commitment

The Company leases office premises with a remaining lease term of 2 years to February 2020. The Company's commitment for future minimum payments in respect of the lease commitment is as follows:

	February 28, 2018
Short-term portion of the lease (<1 Year)	**$ 144,016**
Long-term portion of the lease (>1 Year)	**144,016**
	$ 288,032

(Expressed in Canadian dollars)

13. COMMITMENT (continued)

During the year ended February 28, 2018, the Company received $54,000 (February 28, 2017 - $8,759) in rental income relating to sublease of its office premises to a third party that is recorded as a recovery of rent expense, included in Office and miscellaneous on the statements of net loss and comprehensive loss.

14. COMPARATIVE FIGURES

Certain comparative data have been reclassified to conform with the presentation of the current year. The Company has grouped together the comparative balances for certain expenses on the statements of net loss and comprehensive loss. There is no net impact on the financial position, net loss and comprehensive loss, cash flows or loss per share in fiscal 2017 as a result of these reclassifications.

15. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended February 28, 2018, the Company:

- Incurred exploration and evaluation asset expenses of $5,124 through trade and other payables.
- Issued 701,039 warrants with a value of $178,436 as finders fees in relation to the August 2017 private placement.

During the year ended February 28, 2017, the Company:

- Issued 3,000,000 common shares pursuant to the Gimlex Agreement at a price of $0.40 per share for total consideration of $1,200,000.
- Accrued $68,210 related to the obligation to acquire the remaining interest in Klondike Star.
- Incurred exploration and evaluation assets expenses of $38,589 and share issue costs of $14,736 through trade and other payables.

16. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2018		2017
Loss for the year	$	(1,596,234)	$	(760,291)
Expected income tax recovery	$	(431,000)	$	(198,000)
Change in statutory, foreign tax, foreign exchange rates and other		(299,000)		267,000
Permanent differences		29,000		91,000
Impact of flow through share		906,000		257,000
Share issue cost		(102,000)		(19,000)
Change in unrecognized deductible temporary differences		(103,000)		(398,000)
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

(Expressed in Canadian dollars)

16. INCOME TAXES (continued)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

		2018	Expiry Date Range		2017	Expiry Date Range
Temporary Differences						
Exploration and evaluation assets	$	(149,000)	No expiry date	$	3,028,000	No expiry date
Property and equipment		958,000	No expiry date		875,000	No expiry date
Share issue costs		367,000	2039 to 2042		102,000	2038 to 2041
Marketable securities		-	No expiry date		(174,000)	No expiry date
Allowable capital losses		3,434,000	No expiry date		3,483,000	No expiry date
Non-capital losses available for future periods		12,200,000	2026 to 2038		10,455,000	2026 to 2037