



KLONDIKE GOLD CORP.

Consolidated Financial Statements

**For The Years Ended
February 29, 2020 and February 28, 2019
(Expressed in Canadian Dollars)**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Klondike Gold Corp.

Opinion

We have audited the accompanying consolidated financial statements of Klondike Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at February 29, 2020 and February 28, 2019, and the consolidated statements of net loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2020 and February 28, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company reported a net loss of \$1,173,867 for the year ended February 29, 2020 and accumulated deficit of \$60,801,489 as at that date. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Catherine Tai.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

June 24, 2020

KLONDIKE GOLD CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Expressed in Canadian dollars)

	February 29, 2020	February 28, 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 133,949	\$ 1,266,876
Restricted cash (Note 5)	165,580	165,402
Amounts receivable	42,747	51,357
Prepaid expenses and deposits	55,874	55,100
Total current assets	398,150	1,538,735
Reclamation bond	3,500	3,500
Property and equipment (Note 6)	869,030	289,792
Exploration and evaluation assets (Note 7)	23,104,356	19,120,865
Total assets	\$ 24,375,036	\$ 20,952,892
Liabilities		
Current liabilities		
Trade and other payables	\$ 146,697	\$ 279,718
Lease (Note 8)	116,764	-
Total current liabilities	263,461	279,718
Long-term lease (Note 8)	546,134	-
Total liabilities	809,595	279,718
Equity		
Share capital (Note 10)	77,944,824	74,005,932
Reserves (Note 10)	6,422,106	6,294,864
Deficit	(60,801,489)	(59,627,622)
Total equity	23,565,441	20,673,174
Total liabilities and equity	\$ 24,375,036	\$ 20,952,892

Nature of operations and going concern (Note 1)

Subsequent events (Notes 1,7(b),10(b),15)

Approved by the Board of Directors and authorized for issue on June 24, 2020:

"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 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

	2020	2019
Expenses		
Consulting (Note 9)	\$ 327,902	\$ 208,649
Depreciation (Note 6)	160,162	40,992
Management fees and wages (Note 9)	506,391	385,164
Marketing	558,834	220,016
Office and miscellaneous (Note 8)	86,874	209,915
Professional fees	26,808	39,838
Regulatory and transfer agent	34,230	40,060
Share-based compensation (Note 10(d))	285,523	647,833
Travel	90,675	155,547
	(2,077,399)	(1,948,014)
Finance expense	(45,810)	-
Interest income	32,906	67,358
Gain on sale of property and equipment	-	81,250
Reversal of impairment on exploration and evaluation assets (Note 7(b))	666,332	-
Other income - flow-through (Note 10(b))	194,308	249,194
Gain on extinguishment of Klondike Star liability (Note 4)	55,796	-
Net loss and comprehensive loss	(1,173,867)	(1,550,212)
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding	110,316,731	96,844,650

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			Total equity
	Shares issued	Amount	Share premium	Share-based payments	Deficit	
At February 28, 2018	96,683,881	\$ 73,958,692	\$ 27,405	\$ 5,634,842	\$ (58,077,410)	\$ 21,543,529
Share-based compensation	-	-	-	647,833	-	647,833
Exercise of stock options	150,000	34,616	-	(15,216)	-	19,400
Exercise of warrants	54,000	10,800	-	-	-	10,800
Shares issued to Klondike Star shareholders	-	1,824	-	-	-	1,824
Net loss and comprehensive loss	-	-	-	-	(1,550,212)	(1,550,212)
At February 28, 2019	96,887,881	\$ 74,005,932	\$ 27,405	\$ 6,267,459	\$ (59,627,622)	\$ 20,673,174
At February 28, 2019	96,887,881	\$ 74,005,932	\$ 27,405	\$ 6,267,459	\$ (59,627,622)	\$ 20,673,174
Private placement	2,660,000	532,000	-	-	-	532,000
Private placement - flow-through	9,715,390	2,483,886	-	-	-	2,483,886
Flow-through premium	-	(194,308)	-	-	-	(194,308)
Share issuance costs	-	(72,576)	-	-	-	(72,576)
Share-based compensation	-	-	-	285,523	-	285,523
Exercise of stock options	892,500	300,965	-	(129,640)	-	171,325
Exercise of warrants	3,240,615	888,851	-	(28,641)	-	860,210
Shares issued to Klondike Star shareholders	532	74	-	-	-	74
Net loss and comprehensive loss	-	-	-	-	(1,173,867)	(1,173,867)
At February 29, 2020	113,396,918	\$ 77,944,824	\$ 27,405	\$ 6,394,701	\$ (60,801,489)	\$ 23,565,441

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 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

	2020	2019
Operating activities		
Net loss	\$ (1,173,867)	\$ (1,550,212)
Items not involving cash:		
Depreciation	160,162	40,992
Share-based compensation	285,523	647,833
Finance expense	45,810	-
Gain on sale of property and equipment	-	(81,250)
Reversal of impairment on exploration and evaluation assets (Note 7(b))	(666,332)	-
Other income - flow-through	(194,308)	(249,194)
Gain on extinguishment of Klondike Star liability	(55,796)	-
Shares issued to Klondike Star shareholders	-	1,824
Changes in non-cash working capital items:		
Amounts receivable	8,610	(12,462)
Prepaid expenses and deposits	(774)	(12,446)
Due to related parties	-	(24,150)
Trade and other payables	1,291	2,385
	(1,589,681)	(1,236,680)
Financing activities		
Proceeds on issuance of common shares, net of share issuance costs	2,943,310	-
Proceeds from exercise of stock options	171,325	19,400
Proceeds from exercise of warrants	860,210	10,800
Lease payments	(122,312)	-
	3,852,533	30,200
Investing activities		
Disposition of property and equipment	-	85,500
Exploration and evaluation asset expenditures	(3,395,601)	(4,017,468)
Property and equipment additions	-	(13,300)
Restricted cash	(178)	(115,402)
	(3,395,779)	(4,060,670)
Change in cash and cash equivalents	(1,132,927)	(5,267,150)
Cash and cash equivalents, beginning	1,266,876	6,534,026
Cash and cash equivalents, end	\$ 133,949	\$ 1,266,876
Cash and cash equivalents is comprised of:		
Cash	\$ 133,949	\$ 568,697
Cash equivalents	-	698,179
	\$ 133,949	\$ 1,266,876

Supplemental cash flow information (Note 13)

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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., Vancouver, British Columbia, V6Y 1B3.

These consolidated financial statements have been prepared on the basis of a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. As at February 29, 2020, the Company had working capital of \$134,689 (February 28, 2019: \$1,259,017) and cash and cash equivalents of \$133,949 (February 28, 2019: \$1,266,876). For the year ended February 29, 2020, the Company reported a loss of \$1,173,867, and an accumulated deficit of \$60,801,489 at that date. In May 2019 and September 2019, the Company closed non-brokered private placements for total gross proceeds of \$2,245,886 and \$770,000, respectively (Note 10(b)). Subsequent to year end, in April 2020, the Company closed a non-brokered private placement for total gross proceeds of \$1,222,487 (Note 10(b)). The Company expects it will need to raise additional funds within the next twelve months in order to undertake its currently planned programs for the next year. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company. The material uncertainty of the Company’s success in raising additional capital funding casts 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 if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

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 financial instruments measured 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

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.

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) Significant accounting judgements 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

KLONDIKE GOLD CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

the amount recognized as share-based compensation in profit or loss. For the year ended February 29, 2020, the Company recognized \$285,523 in share-based compensation expense (February 28, 2019: \$647,833).

Valuation of right-of-use asset and lease liabilities

The application of IFRS 16 (Note 3) requires the Company to make judgments that affect the valuation of the right-of-use assets and the valuation of lease liabilities. These include: determining agreements in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

The lease term determined by the Company is comprised of the non-cancellable period of lease agreements, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

The present value of the lease payment is determined using a discount rate representing the rate of a commercial borrowing rate, observed in the period when the lease agreement commences or is modified.

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:

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Financial Instruments

Financial assets and financial liabilities are classified into three categories: amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets is determined by their context in the Company's business model and by the characteristics of the financial asset's contractual cash flows.

Financial assets and financial liabilities are measured at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification.

Cash and cash equivalents, restricted cash, amounts receivable, reclamation bond, trade and other payables, and lease are classified as and measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. The financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Company has no financial instruments measured at FVTPL or FVOCI.

All financial assets except for those at FVTPL 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.

b) Comprehensive Income (Loss)

Other comprehensive income (loss) represents the change in equity for the period that arises from unrealized gains and losses on FVOCI financial instruments and reclassifications of FVOCI 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.

c) 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.

d) 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

e) 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:

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.

f) 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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(d) above specifically discusses impairment factors.

g) 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.

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 29, 2020, and February 28, 2019, the Company did not incur any such obligations.

h) Share Capital

i) Non-monetary consideration

Finder's 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,

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

i) 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).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

j) 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.

Recently adopted accounting standards

IFRS 16

The Company adopted IFRS 16 Leases ("IFRS 16") on March 1, 2019, which introduces a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Company has elected not to apply IFRS 16 to leases with a term of less than 12 months or leases where the underlying asset is of low value.

The Company adopted IFRS 16 using the modified retrospective approach; therefore the comparative information for 2018 has not been restated.

As at March 1, 2019, the applicable lease consisted of an office lease that had previously been classified as an operating lease. On transition, the lease liability for this lease was measured at the present value of remaining lease payments, discounted at the Company's incremental borrowing rate as of March 1, 2019, which was estimated at 6.5%. The Company elected to measure the right-of-use assets at an amount equal to the lease liability.

KLONDIKE GOLD CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On transition to IFRS 16, the Company recognized a right-of-use asset and lease liability for its office lease resulting in an increase to its property and equipment of \$739,400 as at March 1, 2019 with a corresponding increase in lease liability. The right-of-use asset is presented as right-of-use asset within property and equipment, and lease liability presented as lease, on the statement of financial position.

A reconciliation of lease commitments as reported at February 28, 2019, to the lease liability recorded at March 1, 2019, is as follows:

Operating lease commitment at February 28, 2019	\$ 144,016
Additions to lease commitment at March 1, 2019	758,057
Impact of discounting using the incremental borrowing rate at March 1, 2019	(162,673)
Lease liability recognized as at March 1, 2019	\$ 739,400

The following is the new accounting policy for leases under IFRS 16:

A contract is or contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and if applicable, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The carrying amount of the right-of-use asset is depreciated on a straight-line basis over the life of the lease, which has a remaining term of 5 years to February 2025.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than 12 months. Lease payments associated with these leases are instead recognized as an expense over the lease term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

KLONDIKE GOLD CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Right-of-use assets are presented in the same line item as property and equipment on the statement of financial position as it presents underlying assets of the same nature owned by the Company.

Information about leases for which the Company is a lessee is presented below:

Right-of-use assets

Balance - March 1, 2019	\$ 739,400
Depreciation	(123,228)
Balance - February 29, 2020	\$ 616,172

4. KLONDIKE STAR ACQUISITION

Pursuant to a December 20, 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 had until December 20, 2019 to tender the necessary documentation to convert their shareholdings.

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 was received, the Company settled 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.

As at February 29, 2020, the Company has paid out \$12,414 for 3,546,756 Klondike Star shares tendered by Klondike Star shareholders and issued 13,894 common shares of the Company, with a value of \$1,945, for 555,759 Klondike Star shares tendered by Klondike Star shareholders. On December 20, 2019, the remaining 15,386,125 rights to convert expired and the remaining liability of \$55,796 was extinguished and charged to profit or loss.

5. RESTRICTED CASH

The Company maintains one-year term deposits as collateral for the credit cards, which automatically renew at maturity, of \$165,580 (February 28, 2019 - \$165,402). The Company has the ability to cancel its credit cards and receive the term deposits in full at any time.

KLONDIKE GOLD CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

6. PROPERTY AND EQUIPMENT

Cost	Vehicles	Machinery/ Equipment	Building	Right-of-use asset	Total
Balance, February 28, 2018	\$ 66,000	\$ 224,652	\$ 380,000	\$ -	\$ 670,652
Additions	13,300	-	-	-	13,300
Disposals	(25,500)	(100,000)	-	-	(125,500)
Balance, February 28, 2019	53,800	124,652	380,000	-	558,452
Additions	-	-	-	739,400	739,400
Balance, February 29, 2020	\$ 53,800	\$ 124,652	\$ 380,000	\$ 739,400	\$1,297,852

Accumulated depreciation	Vehicles	Machinery/ Equipment	Building	Right-of-use asset	Total
Balance, February 28, 2018	\$ 30,042	\$ 223,876	\$ 95,000	\$ -	\$ 348,918
Depreciation	21,216	776	19,000	-	40,992
Disposals	(21,250)	(100,000)	-	-	(121,250)
Balance, February 28, 2019	30,008	124,652	114,000	-	268,660
Depreciation	17,934	-	19,000	123,228	160,162
Balance, February 29, 2020	\$ 47,942	\$ 124,652	\$ 133,000	\$ 123,228	\$ 428,822

Carrying amount	Vehicles	Machinery/ Equipment	Building	Right-of-use asset	Total
Balance, February 28, 2019	\$ 23,792	\$ -	\$ 266,000	\$ -	\$ 289,792
Balance, February 29, 2020	\$ 5,858	\$ -	\$ 247,000	\$ 616,172	\$ 869,030

KLONDIKE GOLD CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

	British Columbia Claims	Placer Claims	Quartz Claims	Total
		\$	\$	\$
Acquisition costs:				
Balance, February 28, 2019	-	1,167,436	4,872,843	6,040,279
Acquisition of Sophie claims	-	-	12,400	12,400
Balance, February 29, 2020	-	1,167,436	4,885,243	6,052,679
Exploration costs:				
Balance, February 28, 2019	-	25,494	13,798,427	13,823,921
Camp supplies	-	-	140,141	140,141
Consulting & wages	-	51,626	819,708	871,334
Drilling	-	-	1,191,674	1,191,674
Fuel	-	-	114,339	114,339
Lab analysis	-	-	742,168	742,168
Property maintenance	-	-	33,112	33,112
Surveying	-	-	157,400	157,400
Travel	-	-	54,591	54,591
Reversal of impairment (Note 7(b))	666,332	-	-	666,332
Balance, February 29, 2020	666,332	77,120	17,051,560	17,795,012
Royalty payments received:				
Balance, February 28 and February 29, 2020	-	(743,335)	-	(743,335)
Total costs:				
Balance, February 29, 2020	666,332	501,221	21,936,803	23,104,356

	Placer Claims	Quartz Claims	Total
	\$	\$	\$
Acquisition costs:			
Balance, February 28, 2018 and February 28, 2019	1,167,436	4,872,843	6,040,279
Exploration costs:			
Balance, February 28, 2018	25,494	9,693,071	9,718,565
Consulting & wages	-	1,191,737	1,191,737
Camp supplies	-	277,457	277,457
Drilling	-	1,225,625	1,225,625
Fuel	-	92,881	92,881
Lab analysis	-	888,567	888,567
Property maintenance	-	87,302	87,302
Surveying	-	265,754	265,754
Travel	-	76,033	76,033
Balance, February 28, 2019	25,494	13,798,427	13,823,921
Royalty payments received:			
Balance, February 28, 2018 and February 28, 2019	(743,335)	-	(743,335)
Total costs:			
Balance, February 28, 2019	449,595	18,671,270	19,120,865

KLONDIKE GOLD CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

7. 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.

Assignment of Lease on Upper Eldorado Creek Property

In September 2019, the Company entered into a lease agreement with Dulac Mining Ltd (“Dulac Mining”) whereby the Company assigns to Dulac Mining the rights and permits to placer mine on the Upper Eldorado Creek property, contained wholly within the Company’s Klondike District Property, Yukon Territory. Under the terms of the lease agreement, the Company will receive from Dulac Mining a direct 10% gold production royalty from mining on the placer property payable in raw gold. The lease agreement is for a term of 3 years, expiring July 2022, and is renewable thereafter subject to approval by both parties.

Acquisition of Sophie claims

In March 2019, the Company entered into a Property Acquisition Agreement of a 100% interest in mining claims located in the Dawson mining district, Yukon Territory, for consideration of \$12,400. The Company has also granted a 1% Net Smelter Returns (“NSR”) Royalty to the vendor in respect of the Sophie claims, of which the Company may purchase one-half of the NSR Royalty (being a 0.5% NSR Royalty) for cash in the amount of \$750,000 at any time.

Acquisition of Burkhard claims

During the year ended February 28, 2018, the Company entered into 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

During the year ended February 28, 2017, 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, for consideration of \$500,000 in cash and 3,000,000 common shares of the Company with a value of \$1,200,000. The Company has also granted a 2% Net Smelter Returns (“NSR”) Royalty to the vendor in respect of the Gimlex property, of which the Company may purchase one-half of the NSR Royalty (being a 1% NSR Royalty) for cash in the amount of \$1,500,000 at any time.

KLONDIKE GOLD CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Assignment of Lease on Montana Creek Placer Project

The Company holds a 100% interest in the Montana Creek Placer Project 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.

Prior to fiscal 2017, the Company received \$743,335 in royalty payments pursuant to a lease agreement, which are netted against capitalized exploration and evaluation asset costs on the statements of financial position. 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. In February 2020, the Company entered into a Property Purchase Agreement (the "Agreement") dated February 14, 2020, with Ximen Mining Corp. ("Ximen"), whereby the Company will sell to Ximen all of its B.C. properties totalling 98 mineral claims and one Crown Granted mineral claim. The Agreement covers four properties, namely Ron Gold (Nelson), Clubine, Hughes, and Quartz Mountain.

The terms for the Agreement are as follows:

- Payment of \$100,000 in cash, and
- Payment of 1,000,000 Ximen common shares and 1,000,000 Ximen warrants to purchase 1,000,000 common shares of Ximen at \$0.45 per share for a period of 24 months from the date of issuance. Completion of the sale of the B.C. properties is subject to the satisfaction of a number of conditions, including approval from the TSX Venture Exchange.

In May 2020, the terms of the Agreement were satisfied and the sale of the B.C. properties to Ximen was completed.

During the year ended February 29, 2020, reversal of impairment on the B.C. properties was recorded as the sale to Ximen in May 2020 represented an indicator that the B.C. properties' value has increased; accordingly, reversal of impairment loss was appropriate.

The Company retains a royalty equal to 1% of NSR from minerals produced from its Vine Extension Property, sold to PJX Resources Inc. in 2014.

c) Net Smelter Returns

Ontario Claims

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Portuguese Exploration Licenses

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

The Company retains a 2% NSR over the Portuguese 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.

8. LEASE PAYABLE

As at February 29, 2020, lease payable of \$662,898 was outstanding, pursuant to the adoption of IFRS 16 (Note 3).

The following table summarizes the Company's lease commitment:

Balance - March 1, 2019	\$ 739,400
Lease payments	(122,312)
Finance expense	45,810
Balance - February 29, 2020	\$ 662,898
<hr/>	
Current lease liability included in lease	\$ 116,764
Non-current lease liability included in long-term lease	546,134
Total	\$ 662,898

During the year ended February 29, 2020, the Company received \$54,000 (February 28, 2019 - \$54,000) in rental income relating to subleases of its office premises to third parties that is recorded as a recovery of rent expense, included in office and miscellaneous on the statements of net loss and comprehensive loss. The Company classified these subleases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the rights to use the underlying assets.

The following table summarizes the Company's undiscounted lease payments:

	February 29, 2020
Short-term portion of the lease (<1 Year)	\$ 122,313
Long-term portion of the lease (>1 Year)	779,760
Total	\$ 902,073

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.

KLONDIKE GOLD CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

9. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

- a) During the year ended February 29, 2020, the Company was charged management fees of \$138,000 (February 28, 2019 - \$138,000) by a company owned by the CEO of the Company. Of this amount, \$41,400 (February 28, 2019 - \$62,100) was included in additions to exploration and evaluation assets on the statements of financial position.
- b) During the year ended February 29, 2020, the Company was charged \$150,159 (February 28, 2019 - \$120,000), \$30,159 of which was share issue costs (February 28, 2019 - \$nil) 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.

Key Management Compensation

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 29, 2020, was \$167,958 for vested stock options granted to directors and officers of the Company, and affiliated companies of directors and officers of the Company (February 28, 2019 - \$428,973).

10. SHARE CAPITAL

- a) Authorized: Unlimited common shares without par value.
- b) *Issued during the year ended February 29, 2020*

During the year ended February 29, 2020, 3,240,615 common shares were issued pursuant to the exercise of warrants (Note 10(c)).

During the year ended February 29, 2020, 892,500 common shares were issued pursuant to the exercise of stock options (Note 10(d)).

During the year ended February 29, 2020, 532 common shares of the Company, with a value of \$74, were issued for 21,280 Klondike Star shares tendered by Klondike Star shareholders (Note 4).

In April 2020, the Company issued 3,481,579 flow-through units at a price of \$0.19 per flow-through unit for gross proceeds of \$661,500, and 3,205,643 non flow-through units at a price of \$0.175 per non flow-through unit for gross proceeds of \$560,987, for total gross proceeds of \$1,222,487.

Non-brokered private placement completed September 2019

The Company issued 1,925,000 flow-through units at a price of \$0.40 per flow-through unit for gross proceeds of \$770,000. Each flow-through unit consists of one flow-through share and one-half of one warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$0.50 per common share until September 3, 2022. The Company allocated \$nil value to the warrants.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

A flow-through premium liability of \$38,500 was allocated to the flow-through obligation of this private placement, and the remainder of the proceeds were allocated to share capital. As at February 29, 2020, the Company has fulfilled the total obligation of \$770,000. The flow-through premium was fully amortized to the statement of net loss and comprehensive loss for the year ended February 29, 2020, as other income - flow-through.

Cash transaction costs of \$22,523 were incurred as share issuance costs in relation to this private placement.

Non-brokered private placement completed May 2019

The Company issued 7,790,390 flow-through units at a price of \$0.22 per flow-through unit for gross proceeds of \$1,713,886. 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 \$0.35 per common share until March 18, 2022. The Company allocated \$nil value to the warrants.

A flow-through premium liability of \$155,808 was allocated to the flow-through obligation of this private placement, and the remainder of proceeds were allocated to share capital. As at February 29, 2020, the Company has fulfilled the total obligation of \$1,713,886. The flow-through premium was fully amortized to the statement of net loss and comprehensive loss for the year ended February 29, 2020, as other income - flow-through.

The Company concurrently issued 2,660,000 non flow-through units at a price of \$0.20 for gross proceeds of \$532,000, which has been allocated to share capital. Each non flow-through unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.35 per common share for a period of 3 years. The Company allocated \$nil value to the warrants.

Cash transaction costs of \$50,053 were incurred as share issuance costs in relation to this private placement.

Issued during the year ended February 28, 2019

During the year ended February 28, 2019, 54,000 common shares were issued pursuant to the exercise of warrants.

During the year ended February 28, 2019, 150,000 common shares were issued pursuant to the exercise of stock options.

c) A summary of the changes in warrants follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, February 28, 2018	20,702,717	\$ 0.35
Exercised	(54,000)	0.20
Balance, February 28, 2019	20,648,717	0.35
Issued	11,412,890	0.36
Exercised	(3,240,615)	0.27
Expired	(8,221,436)	0.43
Balance, February 29, 2020	20,599,556	\$ 0.34

KLONDIKE GOLD CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

As at February 29, 2020, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
2,000,000	\$ 0.35	May 31, 2021
1,611,666	0.35	September 13, 2021
9,700,390	0.35	March 18, 2022
5,575,000	0.30	April 4, 2022 *
750,000	0.35	May 22, 2022
962,500	0.50	September 3, 2022
20,599,556		

* During the year ended February 29, 2020, the Company extended the expiry date of 5,575,000 warrants with an exercise price of \$0.30 from April 4, 2020, to April 4, 2022.

During the year ended February 29, 2020, 3,240,615 warrants were exercised for total proceeds of \$860,210.

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 3 month period. All other stock options vest at the discretion of the Board of Directors.

	Number of Options	Weighted Average Exercise Price
Balance, February 28, 2019	5,446,500	\$ 0.20
Granted	3,700,000	0.29
Exercised	(150,000)	0.13
Cancelled	(150,000)	0.28
Balance, February 28, 2019	8,846,500	0.24
Granted	1,785,000	0.21
Exercised	(892,500)	0.18
Cancelled	(50,000)	0.29
Expired	(57,500)	0.29
Balance, February 29, 2020	9,631,500	\$ 0.24

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

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

	2020	2019
Risk-free interest rate	1.63%	2.07%
Expected life	10 years	10 years
Annualized volatility	75.00%	75.00%
Dividend rate	0.00%	0.00%

The following summarizes stock options outstanding and exercisable as at February 29, 2020:

Number of Options	Exercise Price	Expiry Date
1,406,500	\$ 0.12	December 16, 2024
805,000	0.19	April 19, 2026
660,000	0.28	June 21, 2026
400,000	0.30	September 13, 2026
1,125,000	0.26	April 4, 2027
3,450,000	0.29	March 28, 2028
1,785,000	0.21	May 17, 2029
9,631,500		

During the year ended February 29, 2020, 1,785,000 stock options were granted to directors, officers, employees, and consultants of the Company. The options are exercisable at a price of \$0.21 per share until May 17, 2029. Using the Black-Scholes valuation model, the grant date fair value was \$285,523, or \$0.16 per stock option.

During the year ended February 29, 2020, 892,500 stock options were exercised for total proceeds of \$171,325.

During the year ended February 29, 2020, 50,000 stock options with an exercise price of \$0.29 were cancelled.

During the year ended February 29, 2020, 57,500 stock options with an exercise price of \$0.29 expired.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

11. MANAGEMENT OF CAPITAL (continued)

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 periods presented.

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.

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

The 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 cash and cash equivalents, restricted cash, amounts receivable, reclamation bond, trade and other payables, and lease approximate their carrying value, due to their short-term maturities.

There have been no changes during the year ended February 29, 2020, as to how the Company classifies its financial assets and liabilities by FVTPL, FVOCI, and amortized cost upon adoption of IFRS 9.

As at February 29, 2020, 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

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 risk:

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 29, 2020. The Company does not have any interest bearing debt.

ii) Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Company's functional currency. The Company's purchases are predominantly transacted in Canadian dollars.

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.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019 (Expressed in Canadian dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended February 29, 2020, the Company:

- Incurred exploration and evaluation asset expenses of \$14,570 (February 28, 2019 - \$93,012) through trade and other payables
- No cash was paid for interest or income taxes during the years ended February 29, 2020, and February 28, 2019

14. INCOME TAXES

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

	2020	2019
Loss for the year	\$ (1,173,867)	\$ (1,550,212)
Expected income tax recovery	\$ (317,000)	\$ (419,000)
Change in statutory, foreign tax, foreign exchange rates and other	24,000	37,000
Permanent differences	26,000	111,000
Impact of flow-through share	671,000	572,000
Share issue costs	(20,000)	-
Change in unrecognized deductible temporary	(384,000)	(301,000)
Total income tax expense (recovery)	\$ -	\$ -

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:

	2020	Expiry date range	2019	Expiry date range
Temporary Differences				
Property and equipment	\$ 955,000	No expiry date	\$ 1,003,000	No expiry date
Share issue costs	226,000	2021 to 2024	262,000	2020 to 2022
Allowable capital losses	3,435,000	No expiry date	3,435,000	No expiry date
Non-capital losses available for future periods	9,533,000	2026 to 2040	10,992,000	2026 to 2039

15. COVID-19 UNCERTAINTY

Since March 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. As at the date of this report, the Company has not been significantly impacted by the spread of COVID-19.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.