KLONDIKE GOLD CORP.
Form 51-102F1
Management Discussion and Analysis
For the period ended May 31, 2011

For the Period Ended May 31, 2011

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated financial statements of Klondike Gold Corp ("Klondike Gold" or the "Company") for the period ended May 31, 2011 which have been prepared in accordance with IAS 34 Interim Financial Reporting, and as they are part of the Company's first International Financial Reporting Standards ("IFRS") annual reporting period, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. The reader should refer the May 31, 2011 statements for additional details of the company's transition to IFRS, including IFRS accounting policies adopted in the period.

The reader should also refer to the audited consolidated financial statements for the year ended February 28, 2010, prepared in accordance with Canadian generally accepted accounting principles. Both are publicly available on SEDAR at www.sedar.com.

The Company's consolidated financial statements have been prepared on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. While the Company is expending its best efforts in this regard, the outcome of these matters cannot be predicted at this time. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

This MD&A has been prepared as of August 29, 2011. All amounts are expressed in Canadian dollars unless otherwise stated.

Forward Looking Information

This MD&A includes some statements that may be considered "forward-looking statements". All statements in this discussion that address the Company's expectations about future exploration and development are forward-looking statements. Although the Company believes the expectations presented in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploration successes, availability of capital and financing, and general economic, market, and business conditions. Readers are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

Risks and Uncertainties

The Company is subject to a number of risks and uncertainties due to the nature of its business. The Company's exploration and development activities expose the Company to various financial and operational risks that could have a significant impact on its level of operating cash flows in the future. Readers are advised to study and consider risk factors stressed below.

The following are identified as main risk factors that could cause actual results to differ materially from those stated in any forward-looking statements made by, or on behalf of, the Company.

Financing

The Company's future financial success depends on the ability to raise additional capital from the issue of shares or the discovery of properties which could be economically justifiable to develop. Such development could take years to complete and resulting income, if any, is difficult to determine. The sales value of any mineralization potentially discovered by the Company is largely dependent upon factors beyond the Company's control, such as the market value of the products produced.

General Resource Exploration Risks and Competitive Conditions

The resource exploration industry is an inherently risky business with significant capital expenditures and volatile metals markets. The marketability of any minerals discovered may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as market fluctuations, mineral markets and processing equipment, and changes to government regulations, including those relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. This industry is intensely competitive and there is no guarantee that, even if commercial quantities are discovered, a profitable market will exist for their sale. The Company competes with other junior exploration companies for the acquisition of mineral claims as well for the engagement of qualified contractors. Metal prices have fluctuated widely in recent years, and they are determined in international markets over which the Company has no influence.

Governmental Regulation

Regulatory standards continue to change, making the review process longer, more complex and therefore more expensive. Exploration and development on the Company's properties are affected by government regulations relating to such matters as environmental protection, health, safety and labour, mining law reform, restrictions on production, price control, tax increases, maintenance of claims, and tenure. There is no assurance that future changes in such regulations couldn't result in additional expenses and capital expenditures, decreasing availability of capital, increased competition, reserve uncertainty, title risks, and delays in operations. The Company relies on the expertise and commitment of its management team, advisors, employees and contractors to ensure compliance with current laws.

Company Overview

Klondike Gold is a Canadian listed public company with its shares traded on the TSX Venture Exchange under the symbol "KG" as a Tier 2 company. The Company was incorporated under the jurisdiction of the Company Act (British Columbia) on August 23, 1978.

The Company is a resource exploration stage company engaged in the acquisition, and exploration of mineral properties. For the funding of property acquisitions and exploration that the Company conducts, the Company depends on the issuance of shares from the treasury to investors and does not use long term debt. Once a body of commercial ore is found, the Company may offer to a major mining company the opportunity to acquire an interest in a property in return for funding by the major mining company, of all or part of the exploration and development of the property. The Company currently has no revenues from mineral producing operations and holds properties in British Columbia, Ontario, and the Yukon.

Additional information relating to the Company can be found on SEDAR at www.sedar.com and also on the Company's website at www.klondikegoldcorp.com.

Overall Performance

Acquisition and exploration expenses decreased from $422,431 in the previous period to $69,346 in this period. During the period, the Company spent $23,746 on mineral property exploration costs. Significant expenditures on mineral properties were with respect to geology and mapping: $13,632 primarily on the Cranbrook Claims.

Properties

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.

Sedex Group, Cranbrook Claims, BC

Irishman of the Moyie West Block

The Moyie West Block comprises the Irishman properties. The Panda basin is considered to be one of the more prospective exploration targets in the Aldridge Formation. Two holes at the north end of the basin, 1.5 km apart, discovered minor stratabound mineralization with total sulphides, lead/zinc ratios and intensity of alteration increasing to the northeast.

Exploration in the Panda, Payday and SMC areas has included a number of soil surveys, both gravity and magnetic, prospecting, geological mapping and diamond drilling. Several holes were drilled in the Panda area prior to 2004. Only two of these, approximately 2.5 km apart, have intersected the Sullivan horizon.

In 2005, two holes were completed in the basin. The first, Panda-04-1E, defined a composite Sullivan intersection of 85 metres with a variety of sedimentary facies and mineralization represented by 15m containing 129 ppm lead and 449 ppm zinc and 5 metres 941 ppm zinc. A second hole was collared about 3.25 kilometres south at the headwaters of Irishman Creek. A comparison of these holes indicated increasing values to the south. As described by D. Anderson (P.Eng.), who was the project geologist, the Irish 05-01 hole, located farther south and closer to the southwest-trending Moyie fault, intersected a thick (132 metres) and complex assemblage of sedimentary facies at Sullivan time that is cut at depth by a gabbro-granofels intrusion similar to the footwall at the Sullivan Mine. The hole was stopped at 1,422.2 metres in the intrusion. The best visible mineralization of galena, sphalerite and pyrrhotite, occurring as disseminations, patches and fracture fillings, was sampled with an interval of 36 metres containing 689 ppm lead and 1297 ppm zinc. Included within this interval is 6.0 metres of 1,717 ppm lead and 2725 ppm zinc. The highest grade, a one-metre sample, ran 0.29% lead and 0.39% zinc. Similar but somewhat weaker mineralization occurs within the fragmental below, down to the top of the intrusion.

In October 2008 the Company commenced a major drilling program on the Irishman property to further explore the Sullivan horizon and in May 2009 the Company announced highly encouraging results from a drilled hole that intersected 155 meters of the prospective Sullivan horizon at the Irishman Property. The Irishman hole, completed to a depth of 1520 meters, tested the Sullivan horizon at the south end of the Panda basin, a north-trending structural basin similar to the Sullivan basin hosting the past-producing Sullivan Mine, 40 km to the north. The 155 meters of Sullivan horizon intersected by the Irishman drill-hole exhibit many characteristics of exhalative activity, typical of the distal fringes of Sedex mineralization in a basin setting. This favourable horizon comprises mainly massive sulphide fragmentals with zones of alteration and visible sulphides (pyrrhotite, sphalerite and galena) mineralization.

The drilled hole represents the thickest Sullivan-time interval intersected to date. The work programs are under the direction of Trygve Hoy, Ph.D. P.Eng., a former provincial government geologist who is now a world-recognized expert on the setting and controls for Sullivan type deposits in the Proterozoic Purcell Basin of southern BC. “This is an exciting drill hole, the best we have ever done and probably the best that has ever been drilled in the Purcell basin outside of the Sullivan area,” stated Dr. Hoy. Selected assays of the mineralized intervals are given below:

Sample	Depth (m)	Interval (m)	Zn ppm	Pb ppm	Ag ppm	Cd ppm
866328	1414.4 m	0.6 m	785	4137	1.2	9.4
866331	1417.3 m	0.33 m	2168	6861	4.7	24.5
866337	1424.0 m	1.0 m	2511	3286	6.7	11.7
866339	1426.0 m	1.0 m	3923	4769	9.1	14.7
866340	1427.0 m	1.0 m	2764	5167	7.3	17.2
866348	1451.2 m	1.0 m	161.1	2325	0.5	7.6
866358	1466.0 m	1.0 m	65.1	4649	0.8	26.3
866364	1505.7 m	1.8 m	775	3376	0.8	7.8

Cranbrook Claims, British Columbia

Clubine Property

During the fourth quarter of the previous fiscal year, the Company received drilling results of the drill program on the Clubine property (part of the Cranbrook Claims). Based on results from 1989 work, the Company drilled both above and below the Number 5 level for gold zones discovered in underground workings and to determine strike and depth of surface mineralized structures.

Assay results from the first of nine holes showed that drilling intersected a prominent, steeply dipping, north-trending shear zone, characterized by quartz veining, sulphide mineralization, and locally high gold and silver content. Assay results from mineralized sections in the first hole show the central part of an approximate 1 meter thick vein section containing 148 g/tonne gold and 203 g/tonne silver across 0.2 meters and a second lower vein containing 79 g/tonne gold and 110 g/tonne silver across 0.36 meters.

Sawmill Creek – Quartz Mountain

Many features of the Sawmill Creek area suggest that it represents a much larger "iron-oxide gold-copper" target. The presence of felsic intrusions, elevated gold values associated with these intrusions, a number of occurrences of hematite breccias with visible copper mineralization, and local high grade gold-silver plus base metal quartz veins, support this model. Furthermore, regional structural controls, key elements of iron-oxide gold deposits, are present in the Sawmill Creek area. It is near the intersection of two major structural trends: the two main vein showings, and a third occurrence to the south, are along a north-trending structure near its intersection with the St. Mary fault, a major east-trending structure that has had episodic movements from latest Proterozoic through to late Mesozoic time.

Four exploratory holes were drilled on the property in late 2007. Most of the holes were widely spaced, targeting either known surface mineralization, extensive alteration and structure, or a geophysical EM anomaly. The first hole intersected highly altered sediments throughout its 357-metre length, with some thin intervals of brecciation with minor hematite and sulphides including chalcopyrite. Three separate zones of highly altered, brecciated rock containing minor pyrite were submitted for analyses.

Holes 02 and 03 were drilled from one site about 2 kilometres east-southeast of Hole 01 on the footwall (south) side of the St. Mary Fault. Sparse outcrops here indicate intensely deformed and altered sedimentary rocks that contain quartz-albite-hematite (magnetite) zones that locally contain copper. The drill holes intersected very chloritic sediments, with two separate, extensively brecciated hematite-enriched zones of quartz-albite. The thinner 18-metre zone contains visible chalcopyrite and pyrite. A thicker 40-metre wide zone is pyritic. Both zones are being sampled for their gold and copper content plus other indicator elements to check for an IOCG signature.

Hole 04, centered on an isolated circular airborne EM (low resistivity) anomaly, intersected mainly limonitic clays.

Ash Claims (Pit Claims)

The Company drill tested the Ash claims in 2003 interpreted to be at the south end of the Sullivan-North Star sub-basin in the Purcell Supergroup in southeastern British Columbia. Four holes were completed. The purpose of the drilling was to verify a sulphide intersection reported by Texas Gulf Sulphur Corp. in 1971 and to determine the extent of this mineralization. Hole TGS71-1, drilled in 1971 by Texas Gulf Sulphur Corp., is reported to have intersected 5.5 metres of laminated and layered semi-massive sulphides at the Sullivan horizon beneath approximately 100 metres of overburden. The area is located just south of the St. Mary River, 9 kilometres due south of the Sullivan mine at Kimberley.

The widespread alteration and mineralization in Middle Aldridge rocks above the Sullivan horizon, and its contrast with unmineralized rocks in the footwall, suggests the possibility of a mineral source at the Sullivan horizon at the transition from the Middle to Lower Aldridge.

Indigo Property

The Indigo property is immediately southwest of the Panda area which was successfully drilled by Klondike Gold in 2005. This drilling confirmed the existence of structural basin at Sullivan time and intersected distal, stratiform lead-zinc mineralization at the Sullivan horizon. Furthermore, vectoring of lead-zinc values and the stratigraphic thickness of the Sullivan horizon both indicated increasing values to the southwest suggesting the source of mineralization may lie to the southwest. The prospective Sullivan horizon on the Indigo property has not been drill tested, leading to the decision by Klondike Gold to acquire the property.

Spider Creek and Star Prospect

Through staking, the Company extended its land position in the Spider Creek and Star prospect areas in the Purcell Supergroup in southeastern British Columbia. This is a sedex massive sulphide target area that has received considerable past exploration, including drilling. In 2003, Klondike Gold began a hole at Spider Creek to test the Sullivan Horizon at the inferred intersection of two prominent linears.

The Spider Creek-Star area is within a structurally complex block of mainly Middle Aldridge stratigraphy. Several north-trending faults with considerable west-side down motion increase the depth to the Sullivan horizon to the west. Hence, drilling and sulphide mineralization in the Star deposit area have been restricted to the Middle Aldridge or hangingwall rocks of the Sullivan deposit. The faults are associated with wide zones of shearing and intense alteration, including silicification, widespread pyrite, and minor galena and sphalerite. Surface exposures of Middle Aldridge stratigraphy on the Star property are also locally intensely altered. Two zones of tourmalinite, aligned along a north-south structure, are indicative of Aldridge-age fault movement. The northern tourmalinite consists of a massive tourmalinite fragmental more than 25 metres thick and 15 metres wide. The southern exposure is about 3 m thick, consisting of fine-grained tourmalinite in metasediments. Two occurrences of albitized sediments are also noted on the claim block.

Exploration on the Star property has included some mapping, soil geochemistry and a UTEM geophysical survey by Cominco Ltd. in the late 1980s. Based on results of these surveys, Cominco drilled one hole and discovered thin pyrrhotite laminations in drill core. In 1990, Kokanee Explorations Ltd. entered into an agreement with Barkhor Resources Inc. to explore the property. Early work included a HLEM geophysical survey and a grid soil survey that led to drilling of a coincident geological, geochemical and geophysical anomaly.

Fourteen holes were drilled on the property in 1990-1991. Weak to highly anomalous to significant sulphide intersections were intersected in all holes in the central part of the block. Sulphides, including pyrite, sphalerite and galena, occur as cross cutting veins or layer parallel, strataform accumulations (A. Hagen, 1990 report). Sulphides are reported as occurring as irregular lenses with quartz, parallel beds or as intensely disrupted, slump-like beds (A. Hagen). The best vein intersection (Hole S90-1) assayed 8.52% lead, 2.38% zinc and approximately 75 g/t silver across 2 metres (BC MINFILE report). Similar assays are reported from other holes; for example DDH 90-3, 210 metres farther south contained mineralized beds with assays of 1.12% zinc across 1 metre, and 12.12% lead and 340 g/t silver in a 1 metre interval in an immediately underlying bed.

In summary, the Kid-Star property is a known mineral occurrence with considerable past work that has identified significant vein and stratabound lead-zinc-silver mineralization. Diamond drilling on this property commenced in June 2007.

Ron Gold Property

The Company acquired the Ron Gold property in July 2003. The Ron Gold property is underlain mainly by mafic to intermediate rocks of the Eagle Creek plutonic complex that intrudes matavolcanics of the Early Jurassic Rossland Group. The complex and host rocks are sheared by the northwest trending Silver King shear zone that extends more than 40 km to the south.

Numerous mineral occurrences, including the past-producing Granite-Poorman or Kenville mine, occur on immediately adjacent claims, and several mineral occurrences listed in BC Minfile are on the Ron claims. Work during the 2008 season included a small geochemical soil grid and 5 days of prospecting. Prospecting in 2004 and during the 2008 program discovered several new occurrences and showings. These are generally shear-related veins with variable to locally high copper and gold values, as well as fracture and vein controlled mineralization within the Eagle Creek plutonic complex itself. A small soil geochemical survey done in the northeastern part of the claim group identified some broad, irregular north to north-northwest trending coincident copper-(lead)-(zinc)-(silver) anomalies that appear to roughly parallel the trend of the Silver King shear zone. Gold values in the soil survey were more erratic although several very high values were recorded. Specifically, two samples 25 meters apart, returned values of 1460 and 132 ppb Au and a third sample, 225 meters to the west, returned 911 ppb Au.

Results of the 2008 field program were consistent with an exploration model for a porphyry type copper-gold system. Later structural modifications, specifically veining and shearing associated with the Silver King shear zone, may have locally enhanced copper and gold values. Currently the Company is looking into an airborne geophysical survey covering the entire claim group.

On September 24, 2009 the company announced that it had entered into an option/joint venture agreement ("Agreement") with Anglo Swiss Resources Inc. ("Anglo") wherein Anglo can earn up to a 60% interest in the Ron Gold property. Consideration consists of Anglo paying $200,000 ($150,000 received), issuing 100,000 Anglo shares (100,000 received) and incurring $650,000 in exploration expenditures by the 4th anniversary of the Agreement. This agreement is subject to an underlying agreement with an arm's length party that comes with a 2% net smelter return royalty. Anglo may at any time purchase 1.5% of the royalty interest from the holder for $500,000. The Company also holds an additional second royalty equal to 1% of net smelter returns. Anglo may at any time purchase the second royalty interest from the Company for an additional $500,000.

Red Point Property, Rossland

The Red Point property is a gold prospect where mineralization is believed to represent a gold-rich, copper-poor porphyry occurrence. Gold is associated with pyrrhotite and pyrite (with only trace amounts of chalcopyrite) disseminated through and coating hairline fractures in Rossland Group pyroclastics and flows which seem to range in composition from andesite to felsites. There are several old workings on the property from the 1800s and a large dump indicates there was a significant amount of underground development at that time. A total of six holes were drilled on the property totaling 1013 metres with the best assay interval reported from hole #2 in which 166 metres averaged 0.84 grams per tonne gold (Exploration in BC 1997, page 49).

Black Hawk Drilling began drilling the Red Point property in October 2007. Exploration on the property in 2006, including ground and airborne geophysical surveys, a soil survey and diamond drilling, identified several targets of widespread disseminated and fracture controlled copper-gold mineralization and massive sulphide copper-gold veins similar to those of the “Main veins” in the Rossland camp. Six holes are currently planned, testing at depth known surface mineralization and coincident soil and geophysical anomalies. The holes are located mainly north and east of drilling done during the 2006 season.

Yukon Properties

On July 11, 2011, the Company announced the signing of a tri-party agreement that reactivates an extensive exploration program on the hard-rock claims covering the site of the Eldorado Creek and Bonanza Creek discovery claims – site of the world famous Klondike Gold Rush in 1896. Over 6.8 million ounces was reportedly mined from this drainage in subsequent years.

Klondike Gold Corp. (“KG”) holds a 100% legal and a 45% beneficial interest in a group of quartz claims and crown grants located between Eldorado Creek and Upper Bonanza Creek, Dawson Mining Division, Yukon. Under an Earn-In Agreement, Klondike Star Mineral Corp. (“KSMC”) earned a 55% beneficial interest in the property by spending $2,250,000 between 2003 and 2005 plus a 100% interest in certain adjacent claims.

KG and KSMC have agreed to combine their interests in the Property and collectively, as Optionor, grant certain options to Lonestar Gold Corp.(“Lonestar”), a British Columbia corporation having offices in Vancouver, BC and Whitehorse, Yukon. The aggregate consideration Lonestar will pay if the Option to Lonestar is fully exercised will amount to $25,750,000 in expenditures on the Property as the total minimum required work commitments; and the issuance of $25,750,000 in common shares in the capital of Lonestar being the equivalent in number to the common shares issued to obtain the funding necessary to finance the expenditures for the minimum required work commitments.

New Operator, Lonestar Gold Corp. is led by President Erich Rauguth who along with partner, Manfred Peshke, have over 70 years of international mining experience, including actively mining since 1972 throughout the Klondike Mining District. Rauguth also has extensive experience in mining in Venezuela, Guyana, Brazil and Costa Rica while serving as President of Rep. Carson Gold Venezuela, as President of Minera Las Christinas Venezuela, and as President of Vannessa de Venezuela.

The Lone Star Property, Yukon

The Lone Star property is located in the Dawson Mining District of Yukon Territory. The property comprises 1200 ungranted Quartz claims, 14 Titled Lots and 300 Placer claims.

The Klondike district has produced over 12 million crude ounces of placer gold since George Carmack's 1896 discovery of gold on Bonanza Creek. The Lone Star gold occurrence, otherwise known as the Boulder Lode, was discovered in 1897 following the discovery of placer gold. From 1898 to 1914, the occurrence was explored and developed from a surface open cut and later from underground workings. Between 1912 and 1914, over 7600 tonnes of material averaging 5.1 grams/tonne gold were processed by a stamp mill located in Victoria Gulch.

The Company entered into an Option Agreement where in consideration for funding $2,250,000 in exploration expenditures over five years, the Company will grant a 55% interest in the project and an additional 10% upon completing a bankable feasibility study and an additional 10% for arranging project financing. Since 2004, Klondike Star has invested approximately $10 million into directly exploring Lone Star and during the year ended February 28, 2005, Klondike Star Mineral Corporation (“Klondike Star”) earned their 55% interest in the property.

A significant breakthrough on the advanced-exploration-stage Lone Star hardrock gold project has been based on the consolidated analysis of 2007 exploration results and geological research of Klondike Star by the University of British Columbia's mineral deposit research unit. Updated analysis has identified about 20- 25%

of the mineralization needed for viable mining and established priority drill targets, which are expected to substantially increase known gold potential. There are now four target zones demonstrating significant gold mineralization and resource potential including Lone Star, Nugget, Buckland and Pioneer. A fifth zone, the JF, is drill ready. The comprehensive Lone Star gold project scoping study for a large-tonnage, low-to-medium-grade gold mine with a minimum projected life of 10 years is nearing completion and release. Lone Star is an advanced-exploration-stage project that is being studied for mine development.

Of all its projects, Klondike Star is currently focusing exploration efforts at the majority owned Lone Star project. It involves an area of 135 square km (152 square miles), including the Lone Star zone, the Nugget zone, the Buckland zone, the JF zone, the Pioneer zone and the 27-Pup-Dysle-Veronika zone. These zones extend over large areas with excellent opportunities for the existence of multiple mineralized zones, along both strike and dip. They belong to a class of structures which have potential for large, medium-grade, bulk-tonnage orebodies.

Additional operational and financial highlights are summarized in Klondike Star's annual 10-K filing with the U.S. Securities and Exchange Commission. A copy of the complete report is available on its website or may be requested by contacting info@klondikestar.com.

Five bulk samples have been processed from the Lone Star zone to date in 2007. These samples were collected from the southern end of trench 87TR-16, and continue to extend the sampling of this area reported in 2006 (Press Release #3-2007: Klondike Star Releases Bulk Sampling Results Including 1.33 g/t over 24 metres). The 2006 work at this site included ten contiguous bulk samples which cut the zone over a 67 meter length, and which proved the zone to be continuously mineralized. The five samples collected in 2007 extend this trend an additional 30 metres.

A bulk test from a trench near the Pioneer zone was completed – the first bulk sample from the Pioneer zone. A small bulk test from the 310 zone has also been processed. The 310 zone is a continuous, narrow vein located about 1500 metres southwest of Eldorado Creek on the Lone Star property. This vein has returned chip samples up to 1.12 g/t gold over 1.32 metres.

A cut-line grid totalling 20 line-kilometers has been completed in preparation for geophysical surveys at the JF zone. A detailed soil geochemical survey, with samples collected at 25 meter/82 foot intervals on lines spaced 100 meters/328.1 feet apart is in progress on this grid, and an IP survey is anticipated to start by early September. An extension to the discovery trench is planned within the next month. An area immediately south of the JF zone grid that had not previously been geochemically sampled has been tested with 299 samples over a 1 kilometer/0.62 mile square area.

Indian River Placer Property

The Company's joint venture partner Klondike Star has thus far drilled over 600 holes on 60% of the Indian River property. Gold was recovered from nearly 100% of the holes in the main target area. The target zone forms a wedge that is 300 metres (984 feet) at the beginning and broadens to a width of over 1,500 metres (4,921 feet). To date, the mineralized zone extends over a distance of more than three km (1.9 miles) and remains open to expansion to the east and south. Gold is uneven but consistently distributed across this broad area with gold values present across the entire width of the property. The fineness of the gold assayed at over 82%. If mining results are typical of the industry's experience in the Klondike, the extent of mineralization could be higher by as much as 20% to 30%. Klondike Gold has a 5% Net Smelter Royalty interest in the Indian River Placer project.

The Indian River placer gold project covers over 60 miles of placer claims and leases along the southern edge of the Klondike placer mining region. The Company's objective is to develop a large placer mine which would bring cash flow to the Company, enabling further mineral exploration of its Klondike area claims.

Among the advantages of the Indian River property are that it can be brought into production quickly. It lends itself to environmentally responsible mining methods already employed successfully in the Klondike that engineers have refined to reduce energy requirements and minimize operating costs. The company also has camp facilities and some of the required equipment on the project site. Klondike Star is currently in negotiations for required financing of the mine.

Chapleau – Ontario

Chapleau Kimberlite Project

Klondike Gold acquired 48,900 acres of prospective kimberlite ground in the Chapleau area of Ontario. Klondike Gold will pay for staking, leasing and other acquisition costs plus a 15% administration fee to earn a 50% working interest in the property. Chalice Diamond Corp. ("Chalice Diamond") (formerly held by Golden Chalice Resources Inc.) holds the other 50% interest and is the operator, with the Company paying for half of all exploration costs plus a 15% administration fee. Staking has covered numerous zones with kimberlitic indicator minerals in sediments and till samples, and a series of circular airborne magnetic anomalies on strike with the discovery ground. The Company will further explore these anomalies and their magnetic pipe-like features.

Exploration work in the area by joint venture partner, Chalice Diamond, has opened up a previously discovered kimberlite dyke called the Fletch. Trenching has traced the dyke for up to 600 metres on strike and open in both directions. During the 2007 field season, 8 microdiamonds were recovered from separate sample sites on the on the dyke. The dyke ranges from 0.5m to over 5m in width with a subvertical dip, the preferred orientation for mining. The dyke is accessible by road with power and infrastructure in the area. These factors greatly improve the exploration and development potential as compared to the far northern reaches of Canada where access, exploration and development costs can be prohibitive.

The diamonds from the Fletch dyke was recovered by caustic fusion at SGS Laboratories in Lakefield, Ontario. The KIMs were recovered by heavy mineral separation at True North Mineral Laboratory in Timmins and sent to C.F. Mineral Research Ltd., in Kelowna, British Columbia for x-ray diffraction analysis and chemical classification of diamond potential.

Missanabie Area Diamonds			
Sample Number	Number of Diamonds	Sample Weight /kg	Location
78743	2	6.36	Fletch Dyke
79292	3	27.5	Fletch Dyke
81228	1	10.15	Fletch Dyke
81230	2	7.47	Fletch Dyke

Nicholson-Gratton Property

Klondike Gold acquired a 50% interest in the Nicholson-Gratton (NG) group of properties which forms a part of the Chapleau Kimberlite Project located northwest of Chapleau, Ontario. This property was acquired in partnership with Chalice Diamond as portions of the property are adjacent to ground already held by both Chalice Diamond and Klondike Gold. On December 18, 2008, the agreement was amended to a consideration to be paid by Klondike Gold of $250,000 (paid) payable over three years, 75,000 shares of GCR (issued) and paying $20,000 in either shares or cash (completed). There is a 3% net smelter return payable to the optionor of which half may be purchased for $1,500,000. Future exploration costs will be borne equally by both Klondike Gold and Chalice Diamond with Chalice Diamond acting as the operator.

The NG properties cover geology favourable for hosting diamond bearing kimberlite pipes. Historical prospecting on one of the properties discovered a narrow kimberlite dike that contained a micro-diamond. Ontario government airborne geophysical data has since identified circular magnetic anomalies on the NG properties and adjacent ground that could represent larger pipe like bodies similar to kimberlite pipe intrusives. Preliminary field work is being done to assess these anomalies and other targets with drilling also planned.

Josephine Property

In February 2009, together with its joint venture partner Chalice Diamond Corp., the Company entered into an agreement on its Josephine property in the Chapleau/Wawa area with Revolution Technologies and Canada Iron Inc., who also own properties in this area. The companies assigned their non-iron mineral rights on their Esquega and Corbiere property for Iron mineral rights on the Josephine property. After reviewing the property, this agreement was terminated on October 20, 2010.

Matarrow Property

In February 2007, Klondike Gold announced it had acquired a 100% interest in the Matarrow mine property, located approximately six kilometres southwest of the Matachewan gold camp in Yarrow township, Ontario. New terms were signed on December 10, 2008. Consideration for the property consisted of $42,500 (paid), 170,000 shares (issued) and a work commitment of $45,000 (completed). There is a 2% net smelter return payable, of which half may be purchased for $1,000,000.

The Matarrow mine consists of a three-compartment shaft and workings on the 150 and 300-foot levels. In 1952/1953, the Property produced approximately 40,000 tons of ore averaging 6.13% lead-zinc. Sphalerite (zinc), galena (lead) and silver occur in carbonate veins in "veined shatter zones" associated with a banded iron formation (BIF) that is 60 metres in width and extends for two kilometres along strike. These shatter zones may be feeder systems to a massive sulphide orebody related to the iron formation, or remobilized mineralization from a massive sulphide orebody.

In 1965, a geophysical EM survey performed in the area identified two major conductors. The first is in the shaft area and the second is located east of the shaft area. The second conductive zone exhibits a high conductivity with reported widths up to 60 feet. The second anomaly which is approximately 1,200 feet in length has only one recorded drill hole. This hole reportedly intersected a very heavily mineralized zone with pyrite and pyrrhotite from 122 to 156 feet, and a second mineralized zone from 252 to 315 had anomalous sections of gold and copper.

In 1996, Opawica Explorations Inc. drilled a single deep hole (MAT96-6) beneath the existing mine workings and intersected the South and North Veins with reported values of **9.57% Pb and 2.78% Zn over 1.0 meters** and **2.29% Pb and 0.87% Zn over 1.1 meters,** respectively. The intersections are approximately 220 meters vertically below surface. Klondike Gold's drill hole was collared approximately 60 meters south of Opawica's drill hole MAT96-6 at -70 degrees, intersecting **4.56% Zn and 0.59% Pb over 4.10 meters** drilled width, approximately 375 meters vertically below surface. This intersection is within a broader mineralized zone of **1.91% Zn and 0.27% Pb over 11.0 meters** drilled width. From historical data the estimated true width is believed to be approximately 1.49 meters within a broader mineralized zone of approximately 4.0 meters. Both the North and South Vein systems appear to coalesce at depth, dip subvertically and display continuity to the mineralized system at these greater depths.

The second drill hole twinned a 1953 drill hole and encountered massive sections of pyrrhotite and pyrite. Klondike Gold is planning a program of stripping and trenching as well as MMI geochemical sampling, and follow-up diamond drilling for the Matarrow Property.

A quality assurance program is employed which includes the insertion of standards and blanks for each batch of samples. Samples of the NQ size drill core are sawed in half, with one-half sent to a commercial laboratory, Expert Laboratory of Rouyn-Noranda, Quebec, and the other half retained in a secure facility for future reference.

Ontario Claims, Ontario

Akweskwa West Property

In December 2010, the Company announced, subject to regulatory approval, the acquisition of a 100% interest in the Akweskwa West gold property. The property consists of ten claims (100 units) in Kenogaming

Township, Porcupine Mining Division. The property is located approximately 50 km southwest of Timmins, accessible by road and is a key addition to the Company's gold portfolio. Consideration for the property consists of $55,000 ($15,000 paid) and 450,000 shares (100,000 issued), payable over four years. There is a 3% net smelter return payable, 1% of which may be purchased for $1,500,000 and a further 1% purchased for a further $1,500,000.

Matarrow Mine

Outstanding commitments are $42,500 cash (paid), 170,000 shares (issued). There is a 2% NSR, of which half may be purchased for $1,000,000.

Results of Operations

For the three month period ended May 31, 2011, the Company had a net loss of $171,067 (2010 - $162,037). The significant differences between the two periods include:

- Office administration of $106,000 (2010 - $153,000). The decrease is due to a decrease in administrative services provided by a related party See "*Transactions with Related Parties*" below.
- Part 12.6 interest paid on unspent flow through investments of $254 (2010 - $9,849).
- Regulatory and stock transfer fees of $3,782 (2010 - $877). The increase is primarily due to TSX fees paid in the current period that were paid in a different quarter last year.
- Travel and promotion costs of $23,807 (2010 – recovery of $37,478). The increase relates to cost of attending the PDAC conference in March 2011 versus a onetime recovery of costs in the previous year.

The Company's comprehensive loss was $189,788 (2010 - $177,777) which included a loss on valuing the Company's investments to market of $18,721 (2010 –$15,740).

As of May 31, 2011, deferred mineral property costs totaled $5,699,106 compared to $5,629,760 at February 28, 2011. During the period, the Company spent $23,746 on exploration. These expenditures were primarily due to $18,282 of exploration activity at the Cranbrook properties.

Summary of Quarterly Results

The following table sets forth selected quarterly financial information for each of the last eight quarters with the figures for each quarter in Canadian dollars.

Quarter Ending	Other Income $	Net Loss $	Net Loss per Share $
May 31, 2011 (IFRS)	50	171,067	0.01
February 28, 2011 (CGAAP)	971	498,027	0.03
November 30, 2010 (CGAAP)	796	68,755	0.01
August 31, 2010 (CGAAP)	258	133,990	0.01
May 31, 2010 (IFRS)	490	162,037	0.01
February 28, 2010 (CGAAP)	390	330,440	0.03
November 30, 2009 (CGAAP)	257	225,871	0.02
August 31, 2009 (CGAAP)	545	209,293	0.02
May 31, 2009 (CGAAP)	1,892	168,914	0.01

Liquidity and Capital Resources

The Company has financed its operations primarily by the issue of share capital and loans from related parties. The continued operations of the Company are dependent on its ability to develop a sufficient debt restructuring plan, receive continued financial support from related parties, complete sufficient public equity financing, or generate profitable operations in the future.

The Company had a working capital deficit of $665,638 at May 31, 2011 compared to $411,460 at February 28, 2010. The Company's cash position at May 31, 2011 was $245,646. The Company does not have sufficient working capital to meet its obligations for the next twelve months. Additional capital will be required to meet the obligations of the option agreements and meet its flow through obligations.

The Company's capital needs in the current period and last fiscal year have been met by the following equity financings:

During the period ended May 31, 2011, no private placements were completed.

During the year ended February 28, 2011, the Company completed private placements for 9,804,000 units comprising one share and one half of one non-transferable share purchase warrant exercisable for a period of 36 months from the date of issue for total proceeds of $1,985,200. The private placements included 9,316,000 non flow-through units issued at $0.20 per unit and 488,000 flow-through units at $0.25 per unit. In conjunction with the placements the Company paid cash commissions on units brokered by its agents of $236,958 and issued 848,160 compensation warrants with a fair value of $142,800. 821,640 of the compensation warrants are excisable at $0.20 into a unit with each unit consisting of one common share and one half of one non-transferable warrant with each whole warrant exercisable at $0.25 into one common share for a period 24 months from the date of issue. 26,520 of the compensation warrants are excisable at $0.25 into a unit with each unit consisting of one common share and one half of one non-transferable warrant with each whole warrant exercisable at $0.30 into one common share for a period 24 months from the date of issue.

Flow-Through Obligations

As at May 31, 2011, the Company is committed to incur, on a best efforts basis, $127,000 (February 28, 2011 - $127,000; March 1, 2010 - $2,178,000) in qualifying resource expenditures pursuant to private placements for which flow-through proceeds have been received. As at May 1, 2011, the Company has incurred $52,781 in qualifying resource expenditures (February 28, 2011 - $37,802; March 1, 2010 - $563,435), and the Company must incur $74,219 (February 28, 2011 - $89,198; March 1, 2010 - $1,614,565) in qualifying resource expenditures as follows:

On or Before	May 31, 2011	February 28, 2011
December 31, 2011	**69,219**	84,198
January 31, 2012	**5,000**	5,000
Total	**74,219**	89,198

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

Transactions with Related Parties

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Amounts due to related parties are unsecured with no specific terms for repayment.

- Due to related parties comprised $118,631 (February 28, 2011 - $247,796) payable to a company controlled by a director and $410,154 (February 28, 2011 - $431,886) to companies with common directors.

- Under an annual renewable agreement for services and cost recovery, the Company was charged administration fees of $91,500 (2010: $153,000) by a company controlled by a director. The same company also charged $Nil (2010: $9,174) for automobile rental, and $Nil (2010:$3,000) for core storage facilities. The rental and storage charges were capitalized to mineral properties. The agreement can be terminated by either party with 30 days notice. The services to the Company included supervision and administration of the financial requirements of the Company's business, producing quarterly accounts in accordance with public reporting requirements; communicating with various regulatory authorities to ensure compliance with all applicable laws; professional analysis and planning of exploration programs, assisting in the preparation of news releases, promotional materials and other documents required to be disseminated, responding to any requests for information and questions; providing secretarial services and legal consultation; office space, office furniture, boardroom facilities, photocopier, fax and such other amenities normally associated with office needs; and providing such other additional instructions and directions as required.
- The Company was charged exploration $Nil (2010: $7,563), and administration costs of $Nil (2010: $1,134), totalling $Nil (2010: $8,697) by a company with common directors for work done on the Chapleau claims. The Company has amounts receivable from companies with directors in common in the amount of $64,301 (2010 - $31,964) for expenses and shared exploration and evaluation asset costs. These advances are unsecured, non-interest bearing and have no fixed terms of repayment.

Key Management Compensation

	THREE MONTHS ENDED MAY 31 2011	2010
Consulting fees	**$ 16,849**	$ 21,000
Total	**$ 16,849**	$ 21,000

Payments to key management personnel including the President, Chief Financial Officer, Directors and companies directly controlled by key management personnel are consulting fees and are directly related to their position in the organization

Financial Instruments and Other Instruments

Financial instruments are exposed to commodity price rick, liquidity and market risks.

a) Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of base and precious metals including gold, silver, zinc and lead, and the outlook for these metals. The Company does not have any hedging or other derivative contracts respecting its operations.

Market prices for metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk, as the nature of Company's business is in exploration.

b) Liquidity Risk

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

During the past year the Company has been able to maintain its liquidity position through private placements. However, the variable market conditions make it uncertain whether the Company can continue to raise adequate funds to meet its financial obligations.

Outstanding Share Data

The authorized share capital consists of an unlimited number of common shares.

Common shares - As of August 29, 2011, an aggregate of 24,279,983 common shares were issued and outstanding.

Warrants - The Company has the following warrants outstanding as of August 29, 2011:

Warrants	Exercise Price	Expiry Date
1,066,667	$1.50	December 28, 2011
281,560	$0.20	November 25, 2012
130,500	$0.20	December 16, 2012
508,667	$1.50	December 27, 2012
409,580	$0.20	December 29, 2012
244,000	$0.25	December 29, 2013
26,520	$0.25	December 29, 2012
606,060	$1.50	July 25, 2013
1,925,000	$0.25	November 25, 2013
1,542,500	$0.25	December 16, 2013
20,000	$1.50 / 2.25 / 3.00	December 28, 2013
1,190,500	$0.25	December 29, 2013
710,000	$1.50 / 2.25 / 3.00	January 25, 2014
406,667	$1.50	September 30, 2014
326,667	$1.50	November 15, 2014
9,394,888		

Options – The Company has the following options outstanding as of August 29, 2011:

Options	Exercise Price	Expiry Date
307,002	$1.50	February 14, 2012
125,667	$1.50	June 14, 2012
338,996	$1.50	February 4, 2014
323,330	$1.50	February 2, 2017
1,094,995		

Investor Relations

Directors and Officers of the Company all participate in a limited investor relations program. The Company attends trade shows for external promotional activities. Costs allocated to investor relations are comprised of promotional expenses incurred by Directors and Officers of the Company.

Future Accounting Pronouncements Not Yet Adopted

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

IFRS 9 – Financial Instruments

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

IFRS 10 - Consolidated Financial Statements

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

IFRS 11 - Joint Arrangements

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

IFRS 12 - Disclosure of Interests in Other Entities

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

IAS 12 - Income Taxes

IAS 12 addresses the recovery of underlying assets. This amendment is effective January 1, 2012 with earlier application permitted.

IAS 27 - Separate Financial Statements

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

IAS 28 - Investments in Associates and Joint Ventures

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