KLONDIKE GOLD CORP.
Form 51-102F1
Management Discussion and Analysis
For the period ended August 31, 2012

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 August 31, 2012 and the audited consolidated financial statements for the year ended February 29, 2012, which were both prepared in accordance with International Financial Reporting Standards (IFRS).

The Company's condensed 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 extending its best efforts in this regard, the outcome of these matters cannot be predicted at this time. These condensed 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 October 29, 2012. 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 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 additions during the period ended August 31, 2012 were $2,018,950 (2011 - $54,018). Exploration and evaluation asset expenditures during the period were primarily due to $41,595 of acquisition costs and $1,752,407 of exploration costs on the Yukon claims.

Acquisition of Lonestar Gold Inc.

On December 29, 2011 the Company completed an exempt take-over bid to acquire a majority interest in the shares of Lonestar Gold Inc. ("Lonestar") a privately held British Columbia company. The Company invited the shareholders of Lonestar to tender their shares for purchase through the issuance of three Klondike Gold shares for each single share of Lonestar tendered and accepted by the Company. The Company issued 20,709,999 of its shares for 6,903,333 shares of Lonestar. The Company's shareholdings in Lonestar are now 8,703,333 shares, of which 1,800,000 shares were acquired in connection to Note 7(h)), equating to a 79.82% ownership.

Total consideration paid equals the fair value of the Company's shares on the acquisition date in the amount of $2,071,000. The transaction has been accounted for as an asset acquisition under IFRS. The consideration paid has been allocated to the acquired net assets based on their fair value at the date of acquisition. The purchase price of the acquisition has been allocated as follows:

Net Assets Acquired		
Current assets	$	955,580
Equipment		43,574
Exploration and evaluation assets		1,635,024
Current liabilities		(22,630)
		2,611,548
Non-controlling interest		540,548
	$	2,071,000

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.

Yukon Properties

The Company holds a 45% beneficial interest in a group of quartz claims and crown grants (the "Property") located between Eldorado Creek and Upper Bonanza Creed, Dawson Mining Division, Yukon Territory. A non-related company Klondike Star Mineral Corporation ("KSMC") holds the remaining 55% beneficial interest to the Property.

On June 6, 2011, the Company along with KSMC entered into an option agreement with Lonestar Gold Inc. ("Lonestar") whereby an option was granted to Lonestar to acquire up to 100% right, title and interest, legal and beneficial, in and to the group of claims. Lonestar is able to acquire legal interest in increments by paying the Company and KSMC, according to percentage of beneficial ownership, as follows:

First Option, 50% undivided interest in and to the Property:

- Issue 4,000,000 common shares;
- Incur a minimum $750,000 in expenditures on the Property on or before May 30, 2012 (completed);
- Incur an additional $2,000,000 in expenditures on the Property on or before May 30, 2013;
- Issue on or before May 30, 2013 an equal number of shares issued by Lonestar for each equity financing conducted.

Second Option, additional 25% undivided interest in and to the Property:

- Incur an additional $15,000,000 in expenditures on the Property on or before May 30, 2014
- Issue on or before May 30, 2014 an equal number of shares issued by Lonestar for each equity financing conducted.
- Incur an additional $8,000,000 in expenditures on the Property on or before December 31, 2014
- Issue on or before December 31, 2014 an equal number of shares issued by Lonestar for each equity financing conducted.

Third Option, additional 25% undivided interest in and to the Property:

- Complete a bankable feasibility study on the property on or before December 14, 2014
- Pay cash or in shares an amount calculated as: the number of total proven troy ounces of gold identified on the Property by a gold price factor.

New Operator, Lonestar Gold Inc. is led by President Erich Rauguth who along with partner, Manfred Pecshke, 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 heart of the Klondike Gold fields and covers the entire Lone Star Ridge which had been scientifically recognised as host to the majority of the millions of ounces of placer gold that had been mined on the Eldorado and Bonanza Creeks since the Klondike Gold rush started near the confluence of Bonanza Creek and Eldorado Creek. Despite that the Lone Ridge hosts the largest of the historic hard rock mines in the Klondike and wide spread gold occurrences along the ridge no single hard rock source had so far been defined. The 2012 exploration season brought significant advances towards understanding lithology and structure and highlighted the high exploration potential of the Ridge. One breakthrough on the advanced-exploration-stage Lone Star hardrock gold project has been based on the consolidated analysis of 1980 to 2008 exploration results and geological research by the University of British Columbia and the University of Leeds, UK, and the University of Otago , New Zealand

Company senior geological consultant Dr. Tim Liverton, Dr. Jim Mortensen of the Earth Sciences Department of UBC and Dr. Doug MacKenzie (Otago) are conducting research on whole rock geochemistry of the Klondike Schist. This research in the Lone Star region by Professors Mortensen, MacKenzie and Liverton is aimed at refining the model for structural control on gold mineralization and the use of trace element geochemistry to delineate host rock lithologies in what are macroscopically monotonous but highly deformed metavolcanics and sediments, with the aim of using chemistry as a mapping tool. The source of gold now found in late D_4 quartz veins and the surrounding schist may be derived from original syngenetic base metal mineralization. Research is ongoing to attempt recognition of such mineralized horizons The Company has been working closely with the academic community and will be incorporating their findings in planning its future mapping, geochemical sampling programs, and drilling campaigns. The company feels that there work supports its premise for searching for near surface, low-grade, bulk tonnage gold deposits within the boundaries of the Lone Star property.

Also very helpful , while limited in scope, the company's 2011 program was successful in assisting the company in establishing a QA/QC program for the evaluation of the Lone Star property which was implemented successfully this season.

Other advances

The Company entered in to a contract with CanDrill Global Inc. of Prince Albert, Saskatchewan, designed to gain a better understanding of the geology and structure of the Lone Star deposit. Despite the efforts of previous operators, there is still insufficient data to produce a reliable geological model of the Lone Star deposit. The Company believes that the drill program allows the development of a more complete model of the Lone Star deposit. The 1500 meter diamond drill program was to test the geology, structure, and potential for mineralization in the 500 meters between the Lone Star deposit and the Pioneer zone to the southeast. This area is significantly underexplored due to overburden cover, but is along the trend of Lone Star mineralization and cross cuts the Lone Star thrust fault. A more complete understanding of geology and structure between Lone Star and Pioneer was deemed necessary in the development of a more robust model of Lone Star mineralization. The drill program was also designed to simultaneously test undrilled induced polarization geophysical anomalies from a 2006 Aurora Geoscience survey and to test for a favorable unit in the Klondike schist identified by lithogeochemical studies below the 170 meter level, the limit of previous drilling.

The Company also continued with the Lone Star Property data review program compiling drilling and geophysics from 1979 to present now incorporated into the database. The drilling compilation encompasses 119 core holes, 135 reverse circulation holes, and 21 percussion holes. The Company now has access to over 15,000 assayed drill samples, many with multi-element analysis, in a GIS and modeling compatible format. Available airborne and ground geophysical surveys were also entered into the database.

Data review focusing on trenches and soil geochemistry is still underway. Soil geochemistry review has been aided by a geomorphology study that has significantly increased confidence in the interpretation of past results and will also improve future soil geochemical exploration programs. Preliminary review of historical soil geochemical data has already identified some new targets and increased confidence in several existing Lone Star soil anomalies.

During the summer the Company issued several news releases informing on the activities in the Yukon:

On June, 17, 2012, the Company put out a news release stating that the Lone Star Property data review continues with drilling and geophysics from 1979 to present now incorporated into the database. The drilling compilation encompasses 119 core holes, 135 reverse circulation holes, and 21 percussion holes. The Company now has access to over 15,000 assayed drill samples, many with multi-element analysis, in a GIS and modeling compatible format. Available airborne and ground geophysical surveys were also entered into the database.

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On July 14, 2012, the Company announced that its summer exploration season continues in the Yukon and is progressing well. Klondike Gold's Yukon exploration program is focusing on the Company's Lone Star Project targeting soil geochemical anomalies with trenching and under explored areas using soil sampling. In addition, surface work on the historic Lone Star and Violet mines is continuing, with particular attention being paid to the Lone Star.

The Boulder Lode open cut at the Lone Star mine has not been worked for over 90 years and during this time the sides of the cut had caved and had been covered with vegetation. Production records show that 7650 tonnes were milled with a recoverable grade of 5.1 g/t Au with an estimated recovery of 75%. (Source: Yukon MINFILE 115O 072). Excavation of the upper portion of the open cut has enabled the rock face to be geologically mapped and channel sampled. Ongoing work at Lone Star will be to complete the cleaning-out of the open cut to enable mapping and sampling of the lower level and to investigate high grade pyritic ore that historic records indicate occurs in the central part of the mine workings.

Work on re-sampling using methods consistent with its fall 2011 work program (Press Release: March 08, 2012 Klondike Gold Reports Initial Results from its Fall 2011 Yukon Work Program) of select trenches along trend with the Boulder Lode is also taking place and prospecting has revealed a possible extension to the east which will be trenched and sampled to gain better exposure.

The exploration team was encouraged by visible gold found in quartz, 150 meters east of the Boulder Lode, along with deformation of the Klondike Schist similar to that of the Boulder Lode. Also of note are preliminary results from targeted grab samples from two stacked continuous 20 cm to 50 cm thick quartz veins in the Boulder Lode Open Cut. Both veins dip to the Northeast and dip measurements range from 25 to 42 degrees with a vertical distance between veins of approximately 4-5 meters.

Targeted grab sample 1719053 of the lower contact of the upper quartz vein ran 41.3 ppm Au and sample 1719054 of the lower vein ran 0.313 ppm Au.

Of the channel samples taken from the schist in the Boulder Lode approximately half the values reported varied between 0.1 and 4 g/t. One schist channel sample that included the pyritic selvedge of one quartz vein reported 7.31 g/t with the corresponding vein giving 3.80g/t. Significant values obtained in schist separate from quartz veins are important for the development of a bulk tonnage target. High grades within quartz veins will add to the overall grade.

Whilst one geological team is working on the Lone Star another is working around the Violet mine, the other gold prospect that received significant underground development before the First World War. This season's surface prospecting has indicated that the Violet vein system may continue on its 310 degree trend towards the "310" prospect that was trenched in 2006. In that year both the Violet mine and "310" trench were bulk sampled, the Violet bulk tests reporting 0.858 g/t from dump material and 1.234g/t from a vein parallel to the mine vein; the 310 bulk reported 2.037g/t over a 75 meter strike length of the exposed vein. A further North-South trending system of quartz veins (possibly a 'conjugate' to the 310) is also being prospected. Hand auger soil sampling over this region is in progress.

To date in 2012 Klondike Gold has sent in 2454 rock, core, and soil samples for analysis from the Lone Star property. This figure includes standards and blanks for internal quality control, at the ratio of approximately 1 in 20 samples. Soil samples in secure bags are dropped off at ACME labs Dawson City

processing facility where they are sieved and then send on to ACME Labs Vancouver for analysis. Rock samples are securely shipped to ACME's Whitehorse processing facility for crushing and splitting after which they are forwarded to ACME Labs Vancouver for analysis. The company looks forward to complete results of sampling to date and will use these samples for targeting the second phase of the summer exploration season.

On September 5, 2012, the Company announced that its 2012 field exploration season in the Yukon has provided encouraging results and direction for the 2013 season. This year has been the first year that consistent exploration on the property has been conducted since 2007 and by compiling the historic and more recent exploration data with this year's results our team has obtained important new insights into the structure and geology of the Lone Star ridge. This will in assist our objective of bringing the considerable gold occurrences on the property into a recognizable resource format.

Exploration Highlights

• Boulder Lode open cut results of : high of 4 g/t in schist , 1.86 g/t Au on vertical channel samples of a 5 meter high by 25 meter long wall, including 9.43 g/t Au over 2.5 by 4.2 meters of the excavation and significant advances in understanding of the structural and lithologic control on gold mineralisation

• Pioneer Zone diamond drilling results of 0.65 g/t Au and 1.65 g/t Ag over 11.6 meters at a depth of 20.4 to 32.0 meters, including 2.10 g/t Au and 6.8 g/t Ag over 1.5 meters

• New JF Zone trenching results of 1.75 g/t Au over 10.2 meters

• Nugget zone mapping and extension

Exploration of the Lone Star Property in 2012 has focused on defining and understanding historical mining areas of the Boulder Lode open cut, the Pioneer, and the Violet as well as known gold occurrences at varying degrees of exploration development most notably JF, Nugget to Buckland trend, and recently discovered Boy (please refer to the September 5, 2012 news release for a map of the Lone Star Property). The approach was to systematically build on pre-existing work compiled into usable datasets through data review while developing new ideas and models with the support of expert consultants to guide future exploration.

New understanding of the mineralisation at the Boulder Lode has been facilitated by the excavation and sampling of the 100 year old open cut in summer 2012 and by structural and lithological mapping by academic consultants Dr. Doug Mackenzie and Dr. Jim Mortensen. Structure contouring and lithological mapping used previous drilling and trench data to generate an exploration model that shows gold enrichment in a subunit of the Klondike schist on the anticlines (structural high points) of undulating D2 and D3 folding on a 100 to 200 meter scale. Late D4 extensional deformation appears to have preferentially mineralised these anticlines. This has implications for new target areas to the east and north of the Boulder Lode (please refer to Figure 2 in the news release) that will be investigated during the remainder of the 2012 exploration season.

Sampling of the Boulder Lode open cut was conducted in 3 sections; the West Block, the Centre Block, and the East Block which were divided based on geologic grounds, not grade. Continuous vertical

channels on the walls of the excavation were cut every 1.5 meters to measure the grade. The West Block exposed significant and continuous quartz veining and showed averaged results of 1.86 g/t Au (147 vertical channel sample average) over a 6 by 25 meter wall area, including 9.43 g/t Au over a 2.5 by 4.2 meter area. The West Block contains previously released grab sample 1719053 that ran 41.3 g/t Au which was excluded from these averaged channel sample results. The higher grade of the West Block agrees with the structural interpretation where higher grade intervals are expected to the southwest of the Boulder Lode. Between the West Block and the West Block Extension 35 meters was not sampled due to debris obscuring the wall. This will be a priority for future sampling. Results are for 30 gram fire assay using methods consistent with the company's sampling procedures (Press Release: March 08, 2012 Klondike Gold Reports Initial Results from its Fall 2011 Yukon Work Program). Calculations weighted channel samples by length so as not to improperly influence averages with any short high grade intervals. Boulder Lode sampling results are summarised in the September 5, 2012 news release.

Geotechnical drilling in the Pioneer zone southeast of the Boulder Lode was conducted in April and May to increase geological understanding of the relationship of the Boulder Lode to the Pioneer as well as to test Induced Polarization geophysical anomalies to the north of the Pioneer zone. Drilling intersected 0.65 g/t Au and 1.65 g/t Ag over 11.6 meters including a best sample of 2.10 g/t Au and 6.8 g/t Ag over 1.5 meters in hole 12DDH002 which is likely a weaker continuation of the Boulder Lode mineralisation. The program provided insights for future exploration; a stronger IP anomaly north of 12DDH003 is a possible target when taken in context of new lithological and structural understanding of the Boulder Lode. The stronger of the two anomalies was not drilled due to access issues during the early spring thaw. Program results are for 30 gram fire assay and are summarised in the September 5, 2012 news release.

The JF zone trench from 2006 was extended with a further 100 meters of new trenching. The new trench gave results of 1.75 g/t Au over 10.2 meters across mineralised structures at the west most section of the trench. High sample intervals within the mineralised zone were 1.64 meters of 4.04 g/t Au and 1.1 meters of 4.05 g/t Au. Further work perpendicular to the trench along this mineralised trend is recommended for the 2013 season.
The Nugget zone was trenched and drilled by previous operators; past results include 2769 Kg bulk sample 05NZ-B4-B which ran 8.61 g/t Au and 1886 Kg bulk sample 05NZ-B7-A which ran 6.46 g/t Au and 2006 diamond drill holes 96NZ02 and 96NZ03 which had results of 98.68 g/t over 0.90 meters and 30.15 g/t Au over 0.90 meters respectively (NI 43-101 Technical Report filed with SEDAR December 16, 2011). Site investigation by the Company's technical team has found that the trend of the upper Nugget zone can be extended on surface. Select samples were collected for the purpose of 4 supporting future drilling to test the Nugget zone at depth and along strike towards the upper Buckland zone quartz veins.
The Violet to 310 zone trend was investigated with mapping, prospecting, soil sampling, and rock sampling as was the recently discovered Boy zone soil anomaly. Both targets have lab results pending.
President Erich Rauguth commented on the 2012 exploration season "The Lone Star Property is being systematically advanced through solid technical and scientific exploration. We have faith that even in difficult market conditions investors will reward active, high-quality, and transparent gold explorers."
T. Liverton, PhD., C. Geol, F.G.S. is the qualified Person for the purposes of this news release.

On September 21, 2012, the Company announced encouraging results for the Violet vein trend, 310 Zone, and recently discovered Boy soil anomaly (Figure 1 in the September 5, 2012 news release). These results in conjunction with Boulder Lode open cut results will direct 2013 exploration and

drilling.

2012 Exploration Highlights

- Violet grab samples of **41.25 g/t Au with 524 g/t Ag and 47.4 g/t Au with 894 g/t Ag** (fire assay)
- Violet vein trend advancement towards and beyond the 310 zone 4 km to the northwest
- New Boy zone 400 x 900 meter open ended soil anomaly

Klondike Gold's 2012 Violet exploration program focused on prospecting, rock sampling, and soil sample lines to better define the mineralisation of the Violet trend associated with the historic Violet Mine. Two selected grab samples from the Violet ore pile ran **41.25 g/t Au with 524 g/t Ag and 47.4 g/t Au with 894 g/t Ag** (30 gram fire assay) giving evidence of higher grade material in agreement with historical reported samples of up to 131.6 g/t Au in surface sampling (Source: Yukon MINFILE 115O 073) and also suggesting a strong nugget effect. These results are significant as infrequent work from 1980 to 2008 did not produce high grade results to drive further exploration although the possibility of a four plus kilometer extent of the Violet vein system was recognised in the direction of the 310 Zone to the northwest. Remapping of the 1990 trench 90TRV01 showed that mineralisation is hosted in quartz veins and the immediately peripheral altered orthogneiss wall rock and that not all veins are equally mineralised. The highest sample in the trench was in a quartz vein directly on strike with the Violet mine which ran 6.23 g/t Au over 70 cm. The thickness of the quartz vein in the trench intersection cannot be extrapolated to represent the vein as a whole as all veins in the trench showed significant pinch and swell or "blow" characteristics. Historical unmarked pits were discovered and sampled while following the surface expression of the Violet veins as far as 1.1 kilometers to the northwest. Surface rock sample results are pending.

Soil sampling of the Violet shows a gold anomaly (20 to 100 ppb Au) in the two northwestern most lines that trend with the 310 zone 2.1 kilometers to the northwest. The 310 zone shows significant past results by previous operator Klondike Star from intersecting trenches 05TR13 and 05TR14 with an average grade of 1.7 g/t Au over 18 meters including 4.1 g/t Au over 6 meters along the trend of the vein, which is between one and two meters true width at this location (NI 43-101 Technical Report filed with SEDAR December 16, 2011). Rock sampling to prospect along the 310 zone to Violet trend was conducted in early September. This investigation showed historical unmarked pits from the early 1900s as far south as the northwest Violet soil sample lines in the area of the soil anomaly. The pits provided access to bedrock samples along this mineralised trend, assay results are pending. The rock samples show quartz veining and stockworking with common pyrite and limonite with local galena, chalcopyrite, and barite. The staking of additional claims was conducted in August to protect the Violet to 310 zone trend. Violets to 310 zone trend results are displayed in Figure 2 in the September 5, 2012 news release..

The newly discovered Boy zone at the headwaters of Little Blanche creek was soil sampled by contractor Ground Truth Exploration Inc. Boy results show a strong north-south trending anomaly with a width of approximately 400 meters and a length of 900 meters (Figure 3 in the September 5, 2012 news release) which is open to extension at either end. The anomaly shows an average 26.2 ppb Au over 108 samples with a spot high of 153.2 ppb Au, while all 524 samples in the dataset averaged 9.2 ppb Au. Initial site investigation shows lithological control on the gold occurrence and mineralised quartz

veining in the area of the anomaly. Rock samples from limited outcrop, sub crop, and abundant float have been collected with results pending. Fine visible gold was observed from panned crushed quartz in the stream bed down slope of the anomaly and there are significant placer gold occurrences with active placer mining on Little Blanche creek. The Boy warrants trenching at the north end of the soil anomaly on an easily accessible ridge crest and is a high priority target for RC exploration drilling.

The 2012 summer exploration season was successful in advancing confidence in gold mineralisation of the Lone Star property to a level where solid drill targets are ready for the 2013 season.

Drill targets at Lone Star include:

- Violet Mine area with recent select grab samples of up to 47.4 g/t Au and 894 g/t Ag
- 310 Zone
- 310 Zone to Violet soil anomaly in the area of Nugget gulch

- Boulder Lode down dip extension (Press Release: September 5, 2012, Klondike Gold Advances Lone Star Property)
- Boulder Lode Structural contour high grade areas (Press Release: September 5, 2012, Klondike Gold Advances Lone Star Property)
- Nugget Zone and extension in the direction of the Buckland mineralised veins (Press Release: September 5, 2012, Klondike Gold Advances Lone Star Property)
- The new Boy Zone Soil anomaly

T. Liverton, PhD., C. Geol, F.G.S. is the qualified person for the purposes of this news release.

Indian River Placer Project

The Company's, by way of a Royalty & Lease agreement obtained from its Joint Venture Partner Klondike Star Mineral Corporation the Mining Rights to the 188 claims that form the Indian River Placer Gold Project. The project is located in the Dawson Mining District about 75 minutes drive from Dawson City and about 30 minutes from the Companies Lone Star Property.

On July 7, 2012, The Company signed a Letter of Intent with 46799 Yukon Inc. wherein the parties agree to enter into a Joint Venture (the "JV") for the purpose of further exploring and developing a placer gold mine located on the Indian River and Montana Creek in the Dawson City Mining District. Klondike Gold Corp. will provide the property and the permits required for exploration and mining and an extensive amount of exploration data. 46799 Yukon Inc. will provide equipment and initial capital to the Joint Venture. Upon each party making their respective contributions to the JV, each will have a 50% participating interest in the JV and its ongoing operations. The Parties entered in to a formal agreement on July 26 2012 which set the stage for the development of the mine. (NR July 26 2012)

The Indian River Placer Property covers over 60 miles of placer claims and leases along the southern edge of the Klondike placer mining region at the confluence of Indian River and Montana Creek, both gold producing drainages. The Indian River and its tributaries have been the largest gold producers in the Yukon for the last seven years.

At start of construction about 60% of the property has been drilled between 2005 and 2007. Gold was recovered from nearly 100% of the holes in the main target area. The target zone forms a wedge that is

300 meters (984 feet) at the beginning and broadens to a width of over 1,500 meters (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%.

An operating company has been formed to operate the mine under the supervision of an experienced placer-mining team appointed by the JV partners. Work on the project commenced on July 27 2012 A preliminary construction camp is being set up while the permanent camp site is prepared. A track-mounted auger drill had started drilling for mine planning and grade-control purposes. Two Caterpillar D9N bulldozers arrived on the property starting on-site preparation and overburden stripping while other mining and processing equipment was mobilized to the property. Stripped overburden gravels and sterile gravel layers where used to improve the internal road system and for the building a 800 meter to carry a pipeline to water. Efforts where made to build project infrastructure without additional operating or construction cost. Field operations ended October 15 with the Mine infrastructure completed and tested the mine ready to produce in the 2013 season.

The partners will focus their initial efforts on only 10% of the 188 claims permitted to be mined. Recent staking has added two additional placer leases totaling 3 miles adjacent to the drilled property for the future benefit of the JV. Once converted into claims, this ground will increase the Indian River project to a total of 220 claims.

Silver City Property

On June 1st, 2012 Klondike Gold announced the acquisition by staking of the 15 Mile Silver City Property and provide an update of its ongoing review and compilation of historical work on the Lone Star Property.

The 15 Mile Silver City Property is located approximately 40 kilometres northwest of Dawson City along the Yukon River and totals 100 claims covering an area of 21 km2. These claims target an area with a number of placer gold occurrences and the Silver City Yukon Minfile hard rock prospect (Minfile number 116B 03). Of interest to Klondike Gold is the unexplained source of the 15 Mile placer gold occurrences and the interpretation of the Silver City Minfile prospect as being an area of slope failure with mineralised float boulders found in the slide debris. The Company will focus its exploration towards identifying the bedrock source(s) of the placer gold and that of the silver-gold mineralized boulders. An initial program of exploration and preliminary assessment of the property has been completed and the property is in good standing.

B.C. Properties:

The Ron Property: BC

Location: Nelson Mining District, 5 km southeast of Nelson

Size: 1492 ha

Minerals: copper, gold, silver

Property Geology: The Ron claim group is located in the historical "Nelson Mining Camp". The property is underlain by mainly mafic to intermediate plutonic rocks of the Eagle Creek Complex which intrudes mafic volcanic rocks of the Early Jurassic Elise Formation. These rocks are cut by prominent northwest trending shears, part of the Silver King shear zone that extends more than 40 km to the south. Several styles of mineralization are recognized, including gold-quartz veins and shear zones, and widely dispersed copper mineralization, typical of an alkalic copper-gold porphyry system.

Work Completed To Date: The property was optioned to Klondike Gold Corp from Jack Denny and is now 100 % owned by Klondike Gold Corp. Work done to date includes mapping and sampling in 2003 and during the 2008 field season; limited geological mapping and prospecting and a soil geochemical survey was conducted, mainly on the eastern portion of the claim group. In September, 2009, Klondike Gold Corp. entered into an option/joint venture agreement with Anglo Swiss Resources Inc. for Anglo Swiss to earn up to a 60% interest in the Ron Gold property.

Highlights of Work: Prospecting (Hand sample) 2008 19.4 g/tonne gold (19,412 ppb) and 0.0133% copper (133 ppm) in a quartz shear sample.

Quartz Mountain Property: BC

Ownership: 100 % Klondike Gold Corp

Location: 12km southwest of Kimberley, on the slopes and ridges of Quartz Mountain, including the drainage of Sawmill Creek.

Size: 4246 ha (approximately 20 sq km)

Minerals: IOCG (iron oxide copper-gold)

Property Geology: The Quartz Mountain property straddles a major east-trending fault, the St. Mary fault, as well as several smaller northeast trending faults. The claim area includes several small high-grade past producing veins, including Price's Pit and the Golden Egg. Recent exploration is focused on an IOCG target, based mainly on the recognition of widespread chlorite, silica and sericite alteration, as well as several zones of disseminated and brecciated hemhematite. Gold occurs in several very high grade veins, as well as in felsic dykes and copper is associated with the hematite breccias as well as in many small fractures and veinlets.

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.

Work Completed to Date: There has been considerable historical work done to date, particularly on the high grade Price's Pit and Golden Egg veins. A prominent magnetic anomaly in the northeastern part of the property was identified by an airborne magnetic survey conducted by Klondike Gold Corp in 2006. Limited drilling was done by Klondike Gold Corp in 2004, in the immediate area of Price's Pit (six holes) and in the zones of alteration in the IOCG target area (four exploratory holes drilled in 2007).

Highlights of Work: 16.53 g /tonne gold over 0.5 meters drilled in 2004 by Klondike Gold

Weakly mineralized iron oxide breccias were intersected by two drill holes in 2007 (DDH07-02 and 03). As the Sawmill Creek drainage is one of the richest placer creeks in southeastern BC, it is recommended that an intensive exploration program be conducted towards both vein and IOCG targets.

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.

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

Pitt Ash Property: BC

Ownership : 100 % KG

Location: St. Mary River valley south of Kimberley, 11 kms south of the Sullivan mine.

Size: 3361 ha

Minerals: copper, lead, zinc, silver

Property Geology:

The Pitt Ash Property straddles a major east-trending fault, the St. Mary fault, as well as several smaller northeast trending faults. The claim area includes several small high-grade past producing veins, including Prices Pit and the Gold Egg. Recent exploration is focused on an IOCG target, based mainly on the recognition of widespread chlorite, silica and sericite alteration, as well as several zones of disseminated and brecciated hematite. Gold occurs in several very high grade veins, as well as in felsic dykes and copper is associated with the hematite breccias as well as in many small fractures and veinlets.

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.

Work Completed to Date: Drill hole Pit-04-1 was drilled into 74 meters of overburden and 459.2 meters of bedrock. It was stopped in Middle Aldridge sediments and capped for later possible re-entry.

Panda Bain Irishman Property: BC

Location: 35 kms southwest of Cranbrook, in the Fort Steele Mining District
Size: 2226 ha

Minerals: copper, lead, zinc, silver, Sullivan type (Sedex-style) targets.

Property Geology:

The entire upper Moyie/upper Lewis-Irishman Creek area is underlain by the Middle Protero¬zoic Aldridge Formation. Mostly Middle Aldridge, these turbidite sequences are generally gently dip¬ping and exhibit broad, open folding along north-trending fold axes. The region lies in the hang¬ing wall to the major, northeast-trending Moyie Fault. Together with several sub-parallel faults in its hanging wall, these northeast-striking panels are the dominant structural elements in the area.

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

Work Completed to Date:

Deep drilling, 1210 meters (Irish-05-1) and 1218 meters (Irish-07-1) was conducted by Klondike Gold Corp. in 2007 and 2008.

Highlights of Work:

Mineralization of lead, zinc, silver, manganese and iron was encountered in the drill hole.

The Vine Property: BC

Ownership: 100 % Klondike Gold Corp

Location: The Vine Property is north and west of Moyie Lake, Fort Steele Mining District, 14 kms southwest of Cranbrook.

Size: 7289.2 ha

Minerals: Sedex, lead, zinc, silver and gold

Property Geology: The Vine property is entirely underlain by Middle Aldridge stratigraphy and a number of included Moyie intrusions (gabbro sills).

On May 1, 2012, the Company put out a news release announcing that it has entered into an option agreement with PJX Resources Inc. ("PJX") The agreement allows PJX to obtain a 50% undivided interest to the Company's Vine Project, located 11 kilometers southwest of Cranbrook, British Columbia. The Property encompasses 84 claims and covers an area of 6,301 hectares. Under the terms of the option PJX is committed to spending a total of $1,500,000 over five years on the property, of which $1,000,000 must be spent on drilling. PJX will also issue to the Company up to 200,000 shares.

Clubine Property: BC

Ownership: 100 % KG

Location: 5 km north of Salmo, southeastern British Columbia, Nelson Mining District

Size: 232 ha

Minerals: gold, silver, copper, zinc, lead

Property Geology:

The Clubine property contains two mineralized zones, a lower shear-related quartz-gold-silver-sulphide vein and an upper lead-zinc-silver zone characterized by a broad geochemical anomaly and thin, mainly quartz-galena veins. The high grade gold-silver vein has had some past production, recovering 3900 ounces of gold, 7700 ounces of silver and 818 kg of copper from 3666 tonnes of ore. It is an east dipping vein structure, typically up to one meter wide, which has been drilled through a vertical relief of approximately 200 meters and a strike length of 130 meters. The structure is open to depth and along strike. Vein minerals include quartz, siderite, pyrite, chalcopyrite and galena with minor pyrrhotite, sphalerite and tetrahedrite.

Work Completed to Date:

Past mining (1926-1942) and underground development; soil surveys, trenching and diamond drilling to test both the upper (Maggie) lead-zinc-silver zone and the Clubine vein. Klondike Gold conducted a ground VLF-EM survey in 2007 and a 14-hole diamond drill program in 2009-2010.

Highlights of Work:

DDH-2009

CB09-1 – 0.20 meters of 148.4 g /tonne gold (54.49 meter depth)

CB09-1 – 0.27 meters of 15.45 g /tonne gold (54.69 meter depth)

CB09-1 – 0.36 meters of 79.25 g /tonne gold (56.39 meter depth)

Hughes Range: BC

Ownership: 100 % KG . PJX Optioned to the Company

Location: Fort Steele Mining District, on the western slopes of Hughes Range and east of Rocky Mountain Trench

Minerals: Gold and SEDEX

Size: 6281.16 ha

Property Geology:

Mineralization comprises mainly thin quartz veins and breccias that locally contain minor sulphides and elevated gold values. These appear to be related to northwest trending syenite and granite dykes that cut Proterozoic Fort Steele quartzites. The property is within a recently recognized gold belt that extends south-westward from the Hughes Range to the central Purcell Mountains.

Work Completed to Date:

Staking

Highlights of Work:

The area is considered high potential for gold, due to placer production that occurs in the Wild Horse River immediately to the east. The property is on strike with a new discovery to the north (PJX Resources).

On May 1, 2012, the Company put out a news release announcing the purchase of two mining claims from Kootenay Silver Inc. These claims are contiguous with Company's Hughes Range property located 24 km north-east of Cranbrook, British Columbia. The terms of the agreement are a onetime payment of $10,000, and should either of these two claims go into commercial production the Company will issue 250,000 shares to Kootenay Silver Inc.

Panda Basin Irishman Property: 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

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.

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.

Kid-Star Property

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. The agreement was amended in September 2011. Consideration consists of Anglo paying $200,000 ($150,000 received), issuing 433,333 Anglo shares (received) and incurring $650,000 in exploration expenditures by September 2014. 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 100% of the interest from the Company for an additional $500,000.

On May 7, 2012 Anglo announced results from a 5 hole drill program which included one hole (KE12-04) being drilled on the Company's Ron Claim optioned to Anglo as noted above. Anglo commented that their drill hole KE12-04 significantly extended the high grade vein system south of the historic Kenville mine workings and continued at depth and further along strike. Results of this drill program may be reviewed on Anglo's website; www.angloswissresources.com

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.

Ontario

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.

To obtain the claims the company paid $42,500 cash and issued 170,000 shares. There is a 2% NSR, of which half may be purchased for $1,000,000.

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.

Results of Operations – Six Months

For the six month period ended August 31, 2012, the Company had a net loss of $1,143,490 (2011 - $1,836,099). The significant differences between the two periods include:

- Mineral properties abandoned and written off of $Nil (2011- $1,576,974).
- Administration of $130,207 (2011 - $203,000). The decrease is due to a decrease in administrative services provided by a related party See "*Transactions with Related Parties*" below.
- Consulting of $237,195 (2011 – $79,832). The increase is due to increased payments to directors and officers in the current period. See "Transactions with Related Parties" below.
- Depreciation expenses of $30,484 (2011 - $Nil). The increase relates to depreciation on equipment acquired in the current period.
- Office and miscellaneous of $47,959 (2011 - $6,975). The increase is primarily due to an increase in overall activities from the previous year.
- Professional fees of $108,126 (2011 - $42,439). The increase is primarily due to professional services related to property agreements and the IFRS transition.
- Stock based compensation of $331,427 (2011 - $Nil). The increase is a result of the fair value attributed to stock options granted in the current period.
- Travel and promotion costs of $252,803 (2011 – $31,998). The increase relates to cost of increased travel to mineral properties during the period and a onetime recovery of costs in the previous year.

The Company's comprehensive loss was $1,163,026 (2011 - $1,855,335) which included a loss on valuing the Company's investments to market of $19,536 (2011 – $19,236).

Acquisition and exploration expenses during the period ended August 31, 2012 were $2,018,950 (2011 - $54,018). Exploration and evaluation asset expenditures during the period were primarily due to $41,595 of acquisition costs and $1,752,407 of exploration costs on the Yukon claims.

Results of Operations – Three Months

For the three month period ended August 31, 2012, the Company had a net loss of $393,128 (2011 - $1,665,032). The significant differences between the two periods include:

- Mineral properties abandoned and written off of $Nil (2011- $1,576,974).
- Administration of $55,000 (2011 - $96,500). The decrease is due to a decrease in administrative services provided by a related party See "*Transactions with Related Parties*" below.
- Consulting of $114,985 (2011 – $52,658). The increase is due to increased payments to directors and officers in the current period. See "Transactions with Related Parties" below.
- Depreciation expenses of $15,549 (2011 - $Nil). The increase relates to depreciation on equipment acquired in the current period.
- Professional fees of $74,284 (2011 - $34,671). The increase is primarily due to professional services related to the IFRS transition.

- Travel and promotion costs of $128,292 (2011 – $8,191). The increase relates to cost of increased travel to mineral properties during the period and a onetime recovery of costs in the previous year.

The Company's comprehensive loss was $396,875 (2011 - $1,665,556) which included a loss on valuing the Company's investments to market of $3,747 (2011 –$515).

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 (Loss) $	Net Loss $	Net Loss per Share $
August 31, 2012 (IFRS)	5,804	(393,128)	(0.00)
May 31, 2012 (IFRS)	3,676	(750,362)	(0.01)
February 29, 2012 (IFRS)	(69,854)	(417,463)	(0.01)
November 30, 2011 (IFRS)	142	(142,413)	(0.00)
August 31, 2011 (IFRS)	(1,465,384)	(1,665,032)	(0.10)
May 31, 2011 (IFRS)	50	(171,067)	(0.01)
February 28, 2011 (IFRS)	971	(266,327)	(0.01)
November 30, 2010 (IFRS)	(1,894)	(68,755)	(0.01)

The increase in net loss in quarters ended August 31, 2011 and February 29, 2012 were primarily related to the write-off of exploration and evaluation assets. The increase in net loss in the quarter ended May 31, 2012 was primarily a result of stock-based compensation of $331,427 and travel expenses of $124,511.

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.

During the year ended February 29, 2012, the following private placements were completed: In December 2011, 18,980,000 shares for total proceeds of $1,898,000. In February 2012, 17,720,000 shares for total proceeds of $1,772,000. The private placements included 18,020,000 flow-through units. In conjunction with the placements the Company paid cash commissions of $61,935.

The Company had working capital of $186,185 at August 31, 2012 compared to a working capital of $3,230,397 at February 29, 2012. The Company's cash position at August 31, 2012 was $715,537. 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.

Transactions with Related Parties

Key Management Compensation

	Nine Months Ended AUG 31 2012	AUG 31 2011
Consulting and wages	$227,800	$33,700

Payments to key management personnel including the Directors and Officers, are wages and consulting fees and are directly related to their position in the organization. Of the above $46,377 (August 31, 2011 – $Nil) was deferred in exploration and evaluation assets.

On March 1, 2012, the Company granted 2,000,000 incentive stock options to directors and officers of the Company for a period of five years. Included in stock based compensation expense is $165,330 for options issued to directors and officers.

Other Related Party Transactions

In addition to related party transactions disclosed in the available-for-sale investments note and the mineral properties note, the Company entered into the following transactions and had the following balances payable with related parties. The transactions were recorded at the exchange amount agreed to by the related parties. Balances outstanding are non-interest bearing, unsecured and had no specific terms for collection or repayment.

a) Due to related parties comprised $120,548 (February 29, 2012- $120,017) payable to a company controlled by a director and $Nil (February 29, 2012- $18,932) to directors and officers.

b) Under an annual renewable agreement for services and cost recovery, the Company was charged administration fees of $55,000 (August 31, 2011 - $183,000) by a company controlled by a director. 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.

c) The Company was charged $6,000 (August 31, 2011 – $Nil) for rent in the Yukon by a director.

d) The Company has amounts receivable from companies with directors in common in the amount of $29,725 (February 29, 2012- $29,725) for expenses and shared exploration and evaluation asset costs. The advances are unsecured, non-interest bearing and have no fixed terms of repayment. The Company has amounts receivable from directors of $39,111 (February 29, 2012- $35,000) for a prepaid expense advance and a private placement.

e) The Company's loan payable to a company with a common director is non-interest bearing with no specific terms for repayment.

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.

Outstanding Share Data

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

Common shares - As of October 29, 2012, an aggregate of 81,729,982 common shares were issued and outstanding.

Warrants - The Company has the following warrants outstanding as of October 29, 2012:

Warrants	Exercise Price	Expiry Date
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	$2.25 / 3.00	December 28, 2013
1,190,500	$0.25	December 29, 2013
710,000	$2.25 / 3.00	January 25, 2014
406,667	$1.50	September 30, 2014

326,667	$1.50	November 15, 2014
8,328,221		

Options – The Company has the following options outstanding as of October 29, 2012:

Exercise Price	Options	Remaining Contractual Life (Years)	Expiry Date
$1.50	338,996	1.43	February 4, 2014
$1.50	323,330	4.43	February 2, 2017
$0.20	4,040,000	4.50	February 28, 2017
	4,702,326		

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.

During the period ended September 30, 2012, the Company moved their investor relations work to Stockhouse (www.stockhouse.com) and Vantage Wire (www.vantagewire.ca).

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 - 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- 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 - 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 - 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 27 - Separate Financial Statements - 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 - 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.