

KLONDIKE GOLD CORP.
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE NINE MONTHS ENDED NOVEMBER 30, 2019 AND 2018



This Management Discussion and Analysis (“MD&A”) should be read in conjunction with the unaudited condensed interim consolidated financial statements of Klondike Gold Corp. (“Klondike Gold” or the “Company”) for the nine months ended November 30, 2019 and 2018. This MD&A has been prepared as of January 28, 2020. All amounts are expressed in Canadian dollars unless otherwise stated.

The Company’s unaudited condensed interim 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. The accompanying unaudited condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

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.

The technical and scientific information contained within the MD&A has been reviewed and approved by Peter Tallman, P.Geo., President and CEO of the Company and Qualified Person as defined by National Instrument 43-101 policy.

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.

CORPORATE INFORMATION

Klondike Gold is a Canadian listed public company with its shares traded on the TSX Venture Exchange under the symbol “KG” and the Frankfurt Stock Exchange under the symbol “LBDP”.

The Company is a resource exploration stage company engaged in the acquisition and exploration of mineral properties in the Yukon Territory and British Columbia. The Company holds offices in Vancouver, British Columbia, and Dawson City, Yukon Territory. The head office is located at Suite 3123, 595 Burrard Street, Vancouver, British Columbia, V7X 1J1 and the Company’s registered and records office is located at Suite 2500 – 700 West Georgia Street, Vancouver, British Columbia, V6Y 1B3.



The Company is focused on exploration and development of its Yukon gold projects, accessible by government maintained roads 20 km south of Dawson City, Yukon Territory within the Tr'ondëk Hwëch'in First Nation traditional territory.

DESCRIPTION OF PROPERTIES

The Company holds properties in the Yukon and in south eastern British Columbia.

YUKON PROPERTIES

The Yukon properties consist of the Klondike District Project and the Klondike Placer Gold Property. The Company is focused on exploration and development of its Yukon gold projects covering 576 square kilometers of hard rock and 20 square kilometers of placer claims, approximately 20 km south of Dawson City, Yukon Territory within the Tr'ondëk Hwëch'in First Nation traditional territory.

Klondike Yukon Properties Summary:

Ownership	Property	Property Type	Number of Claims	Area (sq. km)	Royalty
Klondike Gold	Klondike District	Claims	1812	332.0	
Klondike Gold	Klondike District	Crown Grants	14	2.0	
Klondike Gold	Klondike District	Claims-Gimlex	1230	244.2	2%
Klondike Gold	Klondike District	Claims-Burkhard	6	1.2	2%
Klondike Gold	Klondike District	Claims-Sophie	31	5.3	1%
TOTAL CLAIMS			3079	584.7	
Klondike Gold	Placer	Montana Creek	239	13.4	5%
Klondike Gold	Placer	Upper Eldorado Creek	53	3.2	
Klondike Gold	Placer	Eldorado Creek Bench	61	3.6	
TOTAL PLACERS			353	20.2	

Klondike District Project

The Klondike District Project is comprised of 585 square kilometers of contiguous quartz claims which overlie and span the Klondike District, historically regarded as the region which has produced an estimated 20 million ounces of gold from surface alluvial creek gravels since 1896. The table above reflects the combined district holdings, both quartz and placer, and is differentiated by whether or not the claim holding is encumbered by a royalty payable. All of the quartz claims will remain in good standing at least until 2023 without further expenditure.

Through systematic exploration from 2015 to the present, the Company has identified significant prospective areas by drilling at the Lone Star Zone (along the Bonanza fault), the Stander Zone (along the Nugget Fault), the Gold Run target, the Gay Gulch target (along the Eldorado Fault), and the French Gulch target (along the Irish



Fault). The Company's exploration has focused on the Lone Star Zone, Stander Zone, Gay Gulch and the Eldorado Fault, covering approximately 10% of the total land position, all in the northwest end of the Klondike District Property. Other areas have identified by prospecting and/or outlined by soils and geophysics, such as the Quartz Creek target area, need additional work to vector exploration and have yet to be drill tested. Exploration continues to affirm multiple local sources of bedrock gold mineralization which explain placer deposits exploited historically within the Klondike District.

The Company's exploration of the Klondike District Project supports an orogenic gold deposit model of mineralization with similarities including structural style, and age and veining style to the nearby Golden Saddle deposit discovered by Underworld Resources and acquired by Kinross Gold in 2011 for \$140 million, and the Coffee deposit discovered by Kaminak Gold and acquired by Goldcorp Inc. in 2016 for \$520 million. The Goldcorp acquisition of Kaminak for its Coffee Gold Project and subsequent work to place the Coffee deposit into commercial production has renewed interest in the gold potential of the region, as have exploration joint ventures or equity investments by Newmont, Barrick, Agnico Eagle, Coeur Mining and others with nearby junior explorers. In April 2019 Newmont Mining acquired Goldcorp Inc. for \$10 billion giving rise to Newmont Goldcorp Corporation, renamed "Newmont" in early 2020, the world's largest gold producer by market value, output and reserves.

The new "Stander" Zone name replaces the "Nugget" Zone moniker. The zone name honours Anton Stander, the first discoverer of placer gold on Eldorado Creek in August 1896, two weeks following the discovery of placer gold on Bonanza Creek. Ultimately, Eldorado Creek became the richest creek of the Klondike gold rush. Anton Stander's stone fireplace still stands, unmarked, on the Eldorado Creek road within the Company's claims. The major bedrock source of Eldorado Creek placer gold is from coarse gold-bearing quartz veins of the Stander Zone.

Regional Setting and Infrastructure

In September 2017, the Yukon government and the federal government announced over \$360 million in combined federal and territorial funding to improve road access in two mineral-rich areas: the Dawson Range in central Yukon and the Nahanni Range Road in southeastern Yukon. The Dawson Range project includes the network of all resource access roads within the Company's Klondike District Project. This construction to upgrade roads through the project, when completed, will improve the Company's access and lower operating costs.

Additionally, the proposed Coffee Mine haul road also transects the middle of the Company's Klondike District Project, and this access is planned to be substantially upgraded in conjunction with Coffee mine construction.

In 2018, the Yukon government funded a project to upgrade the Dawson airport from gravel to a paved runway, and to construct an all-weather airport maintenance facility. This significant airport upgrade work sufficient to accommodate 737 passenger jets was completed at the end of May 2019. Direct Vancouver to Dawson jet service is under consideration and if approved would upgrade the already excellent access.

In 2019, the Yukon government began a multi-year upgrade of the Klondike Highway between Carmacks and Dawson City. The upgrade is intended to improve road durability and stability and should result in greater road safety and improved haulage capacity.



In general, the Company already enjoys excellent access to government roads within our project area, as well as direct access to the Klondike Highway, the Dawson airport, and facilities and infrastructure in Dawson City among others.

2019 Work Program

The Company has completed approximately a \$2.75-million 2019 exploration program on the Klondike District Property, Yukon Territory.

SUMMARY OF 2019 WORK PROGRAM:

- Completed a total 8,630 meters of HTW-size or NTW-size diamond drilling in 94 drill holes between May and mid-October, using 'oriented core' technology.
- Drilling targeting higher grade gold mineralization at Gay Gulch showing and Stander (formerly Nugget) Zone.
- Drilling targeting the eastward extension of the Lone Star Zone disseminated gold mineralization.
- Collection of 1,630 soil samples to cover prospective trends of Stander Zone and Lone Star Zone mineralization.
- Collection of additional approximately 1,000 soil samples to infill gold anomalous areas.
- Collection of 350 GT-probe bedrock samples to test extensions of the Lone Star Zone.
- Collection of approximately 750 GT-probe bedrock samples to test extensions of the Stander Zone.
- Collection of 175 systematic 1-meter channel samples from a number of outcropping gold mineralized quartz veins to evaluate the coarse gold 'nugget effect' and assay variability.
- Collection of approximately 335 rock samples for prospecting assay, whole rock characterization, or thin section identification.
- LIDAR airborne survey spanning the Klondike District Property to help identify the surface position of potentially gold mineralized faults. This survey includes a complete corresponding orthophoto survey, the first time ever the Klondike district has been covered in one comprehensive photo survey.
- Collection of approximately 1,000 detailed mapping points in the prospective Bonanza Creek to Eldorado Creek areas which has identified new faults and new extensions of prospective units and mineralized areas.
- Engaged SRK Consulting (Toronto) to evaluate oriented core data and evaluate the Company's structural model.

The 2019 exploration program commenced in May with a \$2M budget and a work plan that included drilling 6,000 meters in 60 holes. The program was expanded with a \$0.75M allocation in September following a 'world-class' drill hole result of 1,009 g/t Au with 1,035 g/t Ag over 1.0 meter among others at Stander (Nugget) Zone.

A total of ninety-four (94) holes were drilled testing a variety of specific targets during the campaign. Core logging, geotechnical work, and core sampling were completed by mid-October.

Assay results from seven (7) drill holes (EC19-242 to EC19-248) testing the Gay Gulch showing, and nine (9) drill holes (EC19-255 to EC19-259 plus EC19-266 to EC19-269) testing the Stander Zone have been received and released. The remaining results of holes (up to EC19-335) are pending.



The 2019 program began by drilling the Gay Gulch showing on the Eldorado Fault and proceeded to various targets within the Stander Zone to target prospective areas of high-grade gold mineralization identified after reviewing data collected from 2018's program. A second drill program tested for an eastern extension at the Lone Star Zone to expand areas of disseminated gold mineralization.

Drill results from the Gay Gulch showing include 1.09 g/t Au over 9.08 meters in EC19-245 and 9.66 g/t Au over 0.5 meters in EC19-248; the first follow-up on 2015 hole EC15-10 which assayed 75.6 g/t Au over 2.8 meters. Results from drill testing the Gay Gulch showing adjacent to the Eldorado Fault are encouraging and further testing next year is warranted.

Drill result highlights to date from the Stander Zone include hole EC19-267 which intersected new mineralization grading **1,009 g/t Au with 1,035 g/t Ag over 1.0 meter** (104.00-105.00 m); this is included in a wider interval that graded 404 g/t Au with 415 g/t Ag over 2.5 meters (104.00-106.50 m). Hole EC19-256 intersected mineralization grading **9 g/t Au over 10.0 meters** (17.40-27.40 m); this is included in a wider interval grading 4.3 g/t Au over 21.5 meters (5.90-27.40 m) beginning at surface. Also hole EC19-266 intersected mineralization grading **8 g/t Au over 49.6 meters** (4.60-54.20 m) beginning at surface.

The Company has developed an updated exploration model, a result of a comprehensive three-month reprocessing and recompilation program of collected data involving in-house personnel and structural, geophysical, and LiDAR outside consultants. This new exploration model more adequately explains the gold discovery in drill hole EC19-267 which intersected mineralization **grading 1,009 g/t Au with 1,035 g/t Ag over 1.0 meter** (104.00-105.00 m) and provides vectors towards new exploration targets at the Lone Star and Stander zones. These areas, among others, will continue to be the focus of drilling and exploration efforts in 2020.

Quality Assurance and Methods

Drill core samples are submitted by Klondike Gold personnel to Bureau Veritas Mineral Laboratories ("BV Labs") (formerly Acme Labs) preparation facility in Whitehorse, YT with chemical analysis of sample pulps completed in Vancouver, British Columbia. BV Labs is an accredited ISO 9001:2008 full-service commercial laboratory. All drill core samples are assayed for gold by fire assay ("FA") fusion with a gravimetric finish. Full sampling/assay procedures and protocols can be viewed on the Company's website at:

<http://www.klondikegoldcorp.com/projects/sampling-and-assay-protocols/>.

Property Acquisitions

Sophie Property Purchase

On March 19, 2019 the Company entered into a Property Acquisition Agreement with 39424 Yukon Inc. ("39424 Yukon") for the purchase by Klondike Gold of a 100% interest in 39424 Yukon's 31 mining claims covering 528.4 hectares located in the Dawson mining district, Yukon Territory (the "Sophie Property"). The Company has granted to 39424 Yukon a 1% Net Smelter Returns ("NSR") Royalty in respect of the Sophie Property, of which the Company may purchase one-half of the NSR Royalty (being a 0.5% NSR Royalty) for cash in the amount of \$750,000 at any time.



YUKON PLACER GOLD PROPERTIES

The Yukon Placer Gold properties include the Upper Eldorado Creek Placer, the Eldorado Creek Bench and the Montana Creek (also known as 'McKinnon Creek' or 'Indian River') Placer Projects. Previously these three property groupings have been aggregated.

Upper Eldorado Creek Placer Project

The Upper Eldorado Creek placer project is located 25 km south of Dawson City within the heart of the Klondike Gold Fields. The Eldorado Creek Placer property is comprised of 53 contiguous placer claims totaling 3.2 square kilometers in area covering the Upper Eldorado Creek and Chief Gulch drainages. In September 2019, the Company entered into a lease agreement with Dulac Mining Ltd ("Dulac Mining") whereby Klondike Gold assigns to Dulac Mining the rights and permits to placer mine on the Upper Eldorado Creek property. Under the terms of the lease agreement, Klondike Gold will receive from Dulac Mining a direct 10% gold production royalty from mining on the placer property payable in raw gold. The lease agreement is for a term of 3 years, expiring July 2022, and is renewable thereafter subject to approval by both parties.

Montana Creek Placer Project

The Montana Creek placer project is located 55 km south of Dawson City within the southern boundary of the Klondike Gold Fields. Approximately 60% of the Montana Creek property has been tested by 350 auger drill holes between 2005 and 2015 to locate and delineate White Channel Gravel 'pay streaks'. Gold was recovered from nearly 100% of the holes in the main target area. Drill results indicate gold-bearing gravels extend over a distance of more than 3 kilometers and remain open for expansion to the east and south.

The Company received royalties from gold production on the Montana Creek property of \$216,341 in 2014 and \$526,994 in 2015, from a total production in those years of 4,300 ounces of gold.

In early 2017, the Company applied to renew mining extraction permits for 10 years. The Company has received approval of the mining permit from the Yukon Environmental and Socio-economic Assessment Board, however approval of a water permit from the Yukon Water Board is still pending a decision at this time.

Eldorado Bench Placer Project

The Eldorado Bench placer project is located 25 km south of Dawson City within the heart of the Klondike Gold Fields. The Eldorado Bench Placer property is comprised of 61 non-contiguous placer claims totaling 3.6 square kilometers in area covering the east slope along Eldorado Creek. The Company has done test pitting and stripping on this property in 2018 and 2019 sufficient to continue to hold the titles in good standing.

BRITISH COLUMBIA PROPERTIES

In southeast British Columbia, the Company has a portfolio of gold projects, each covering one or more significant historic past producer or historic placer creek.

KLONDIKE GOLD CORP.
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE NINE MONTHS ENDED NOVEMBER 30, 2019 AND 2018



The following table sets forth the British Columbia properties held by the Company:

Ownership	Property	Number of Claims	Area (sq. km)
Klondike Gold Corp.	Clubine	5	2.3
Klondike Gold Corp.	Quartz Mountain	58	23.6
Klondike Gold Corp.	Hughes Range	6	4.1
Klondike Gold Corp.	Ron Gold	29	11.7
TOTAL CLAIMS		40	67.6

OVERALL FINANCIAL PERFORMANCE

Results from Operations

As at November 30, 2019, a total of \$22.34 million was held in exploration and evaluation assets (February 28, 2019 - \$19.12 million), which is invested in the Yukon. Total assets increased to \$24.16 million (February 28, 2019 - \$20.95 million). During the nine months ended November 30, 2019, the Company raised \$2.95 million from non-brokered private placements, net of share issuance costs.

Three months ended November 30, 2019 and 2018

The Company's net loss for the three months ended November 30, 2019, was \$388,230 up from \$261,557 for the three months ended November 30, 2018. The increase in net loss for the three months ended November 30, 2019, was due primarily to an increase in management fees and wages of \$74,762 and marketing of \$54,778 in the current period.

Nine months ended November 30, 2019 and 2018

The Company's net loss for the nine months ended November 30, 2019, was \$1,511,463 up from \$1,276,531 for the nine months ended November 30, 2018. The increase in net loss for the nine months ended November 30, 2019, was due primarily to an increase in marketing of \$295,981 in the current period.

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Nov 30, 2019	Aug 31, 2019	May 31, 2019	Feb 28, 2019
	\$	\$	\$	\$
Revenue	-	-	-	-
Net Loss	(388,230)	(467,575)	(655,658)	(273,681)
Net Loss Per Share	(0.00)	(0.00)	(0.01)	(0.00)

KLONDIKE GOLD CORP.
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE NINE MONTHS ENDED NOVEMBER 30, 2019 AND 2018



	Nov 30, 2018	Aug 31, 2018	May 31, 2018	Feb 28, 2018
	\$	\$	\$	\$
Revenue	-	-	-	-
Net Loss	(261,557)	(40,099)	(974,875)	(84,537)
Net Loss Per Share	(0.00)	(0.00)	(0.01)	(0.00)

FINANCIAL LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of \$464,189 at November 30, 2019, compared to working capital of \$1,259,017 at February 28, 2019. The Company's cash position at November 30, 2019, was \$436,298 and at February 28, 2019, was \$1,266,876.

During the nine months ended November 30, 2019, the Company's cash decreased by \$830,578. Cash provided by financing activities included \$2,951,633 received on the issuance of common shares, net of share issuance costs, \$101,000 in proceeds from the exercise of stock options, and \$860,210 in proceeds from the exercise of warrants, partially offset by \$108,451 in lease payments. Cash used in investing activities included \$3,242,182 used to fund exploration and evaluation expenditures. Cash used in operating activities totaled \$1,392,661.

SHARE CAPITAL INFORMATION

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

During the nine months ended November 30, 2019, the Company issued 1,925,000 flow-through units pursuant to a non-brokered private placement. Each flow-through unit consists of one flow-through share and one-half of one warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$0.50 per common share until September 3, 2022.

During the nine months ended November 30, 2019, 3,240,615 common shares were issued pursuant to the exercise of warrants and 575,000 common shares were issued pursuant to the exercise of stock options.

During the nine months ended November 30, 2019, 532 common shares of the Company, with a value of \$74, were issued for 21,280 Klondike Star Mineral Corp. ("Klondike Star") shares tendered by Klondike Star shareholders.

Subsequent to November 30, 2019, 250,000 common shares were issued pursuant to the exercise of stock options.

As at the date of this MD&A, an aggregate of 113,329,418 common shares are issued and outstanding.

KLONDIKE GOLD CORP.
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE NINE MONTHS ENDED NOVEMBER 30, 2019 AND 2018



Warrants

As at the date of this MD&A, the Company has 20,599,556 warrants outstanding to acquire common shares as follows:

Number Outstanding	Exercise Price Per Share [\$]	Expiry Date
5,575,000	0.30	April 4, 2020
2,000,000	0.35	May 31, 2021
1,611,666	0.35	September 13, 2021
9,700,390	0.35	March 18, 2022
750,000	0.35	May 22, 2022
962,500	0.50	September 3, 2022
20,599,556		

Stock Options

As at the date of this MD&A, the Company has 9,756,500 stock options outstanding to acquire common shares as follows:

Number Outstanding	Exercise Price Per Share [\$]	Expiry Date
1,406,500	0.12	December 16, 2024
805,000	0.19	April 19, 2026
685,000	0.28	June 21, 2026
400,000	0.30	September 13, 2026
1,125,000	0.26	April 24, 2027
3,550,000	0.29	March 28, 2028
1,785,000	0.21	May 17, 2029
9,756,500		

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions and had the following balances payable with related parties. The transactions were recorded at fair value. Balances outstanding are non-interest bearing, unsecured and have no specific terms of repayment.

- a) During the nine months ended November 30, 2019, the Company was charged management fees of \$103,500 (November 30, 2018 - \$103,500) by a company owned by the CEO of the Company. Of this amount, \$40,250 (February 28, 2019 - \$62,100) was included in additions to exploration and evaluation assets on the statements of financial position.



- b) During the nine months ended November 30, 2019, the Company was charged \$120,159 (November 30, 2018 - \$90,000), \$30,159 of which was share issue costs (November 30, 2018 - \$nil) by a company whose CEO is a director of the Company, for corporate administration services included in consulting on the statements of net loss and comprehensive loss.

Key Management Compensation

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

Included in share-based compensation for the nine months ended November 30, 2019, was \$161,184 for vested stock options granted to directors and officers of the Company, and affiliated companies of directors and officers of the Company (November 30, 2018 - \$358,517).

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Recently adopted accounting standards

IFRS 16

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

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

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

On transition to IFRS 16, the Company recognized a right-of-use asset and lease liability for its office lease resulting in an increase to its property and equipment of \$846,935 as at March 1, 2019 with a corresponding increase in lease liability. The right-of-use asset is presented as right-of-use asset within property and equipment, and lease liability presented as lease, on the statement of financial position.

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

KLONDIKE GOLD CORP.
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE NINE MONTHS ENDED NOVEMBER 30, 2019 AND 2018



Operating lease commitment at February 28, 2019	\$ 144,016
Additions to lease commitment at March 1, 2019	888,077
Impact of discounting using the incremental borrowing rate at March 1, 2019	(185,158)
Lease liability recognized as at March 1, 2019	\$ 846,935

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

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

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

The carrying amount of the right-of-use asset is depreciated on a straight-line basis over the life of the lease, which has a remaining term of 5.25 years to February 2025.

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

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

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

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

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



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

Right-of-use assets

Balance - March 1, 2019	\$ 846,935
Depreciation	(105,867)
Balance - November 30, 2019	\$ 741,068

FINANCIAL INSTRUMENT CLASSIFICATIONS

The fair values of the Company's cash and cash equivalents, restricted cash, amounts receivable, reclamation bond, trade and other payables, due to related parties, and lease approximate their carrying value, due to their short-term maturities.

As at November 30, 2019, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk is attributable to cash and cash equivalents, restricted cash and amounts receivable. Cash and cash equivalents, and restricted cash, are held with large Canadian banks or brokerages. Management believes the risk of loss to be remote. The Company's amounts receivable is primarily comprised of amounts owing from the Government of Canada for input tax credits receivable. Accordingly, the Company does not believe it is subject to significant credit risk.

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.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

i) **Interest rate risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company holds its cash and cash equivalents, and restricted cash in bank accounts that earn variable interest rates. Due to the short-term nature of these financial instruments,



fluctuations in market rates do not have a significant impact on estimated fair values of the Company's cash and cash equivalents and restricted cash balances as at November 30, 2019. The Company does not have any interest bearing debt.

ii) **Foreign currency risk**

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

iii) **Price risk**

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

Market prices for metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators.

The Company has elected not to actively manage its commodity price risk, as the nature of Company's business is in exploration.

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

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.



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.

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.

CRITICAL ACCOUNTING ESTIMATES

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

The Company's critical accounting estimates include the valuation of share-based compensation, while its critical accounting judgements include carrying amount of mineral properties under exploration and the measurement



of current and deferred income taxes. Details of these assumptions can be found in Note 3 to the annual financial statements for the year ended February 28, 2019.

MANAGEMENT AND BOARD OF DIRECTORS

There were no changes to the Klondike Gold management or Board of Directors during the period.

OUTLOOK

The Company's continued exploration program has shown promising results from drilling as well as prospecting and other surveying throughout the entirety of the Klondike District Property. Exploration in 2015 through 2019 has identified gold mineralization in outcrop and drilling through the 55 km length of the Klondike District that indicates the area has considerable exploration potential for both bulk tonnage disseminated and narrow high-grade vein gold deposits that warrant further testing. A 2019 drill intersection of 1,009 g/t Au and 1.036 g/t Ag over 1.0 meter is an acknowledged world-class interval which highlights the potential for further significant discoveries. Bedrock gold discoveries to date at the Lone Star Zone, Stander Zone, and Gold Run target can be shown in each case to be the local sources of alluvial gold of the "Klondike Gold Rush".

The Company has identified an orogenic gold model with similarities to both the nearby Coffee Gold deposit and Golden Saddle mineral resource that guides exploration and predicts the Klondike District has significant potential for future discovery of gold mineralization. The recent and continued results from Lone Star and Stander drilling have, in the opinion of Company's management, upgraded the potential of the Klondike District properties to host significant in situ gold mineralization.

Management believes there is potential for further discoveries and concomitant possibility for value creation at its gold properties in the Klondike District, Yukon. The Company's conviction in continued well-planned, efficient exploration remains unchanged, however management recognizes the need to safeguard the Company's treasury and advance its programs in measured steps. A minimum budget of \$2.0 million is contemplated for 2020 exploration, with budget planning underway at this time. Additional funding may be required.

In general, management is acting on the expectation that successful exploration that yields gold discoveries can add significant value to shareholders at a time of rising demand for the commodity.