

**KLONDIKE GOLD CORP.**  
MANAGEMENT DISCUSSION & ANALYSIS  
FOR THE THREE MONTHS ENDED MAY 31, 2020 AND 2019  
(Expressed in Canadian dollars)



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 three months ended May 31, 2020 and 2019. This MD&A has been prepared as of July 23, 2020. All amounts are expressed in Canadian dollars unless otherwise stated.

The Company’s 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 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](http://www.sedar.com) and also on the Company’s website at [www.klondikegoldcorp.com](http://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. 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.

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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 one large contiguous district-spanning property in the Yukon, plus three placer gold properties overlapping parts of the same area, and has recently sold its various properties in southeastern 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 585 square kilometers of hard rock and 20 square kilometers of placer claims located approximately 20 km south of Dawson City, Yukon Territory within the Tr'ondëk Hwëch'in First Nation traditional territory.

Klondike Yukon Properties Summary:

<b>Ownership</b>	<b>Property</b>	<b>Property Type</b>	<b>Number of Claims</b>	<b>Area (sq. km)</b>	<b>Royalty</b>
Klondike Gold	Klondike District	Claims	1811	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%
<b>TOTAL CLAIMS</b>			<b>3078</b>	<b>584.7</b>	
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	
<b>TOTAL PLACERS</b>			<b>353</b>	<b>20.2</b>	

**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 'Klondike Gold Rush' 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 2025 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 is focusing on the Lone Star Zone and the Stander Zone covering approximately 10% of the total land position in the northwest end of the Klondike District Property. Other areas identified by prospecting and/or outlined by soils and geophysics need additional work to vector exploration and have yet to be significantly 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 considered to originate in 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 multi-year construction to upgrade roads through the project, now underway in 2020, will improve the Company's access and lower operating costs.

Additionally, the proposed Coffee Gold 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. Nearby, the Brewery Creek Gold Mine (formerly the c.1980's Loki Gold Mine) is advancing towards a production restart decision with camp and mine construction infrastructure underway.

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 although delayed due to COVID-mitigation measures, 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, underway in 2020, is intended to improve road durability and stability and should result in greater road safety and improved haulage capacity.

In 2020 Victoria Gold finished construction and declared commercial production at the Eagle Gold Mine, Canada's newest gold mine located in Yukon 150 km east of the Company's Klondike District Property. Eagle Gold Mine is a heap leach operation designed to produce 210,000 ounces of gold annually for over 10 years.

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 power, water and town facilities and infrastructure in Dawson City among others, plus heavy equipment availability and considerable local mining expertise, plus the local traditional knowledge encapsulated in the Dawson-based Trondek Hwechin elders.

### ***2020 Work Program***

The Company has commenced an approximately \$1.0 million 2020 initial exploration program on the Klondike District Property, Yukon Territory. The first three phases of diamond drilling have been completed. Phase 1 comprised 13 holes targeting the Lone Star Zone, Phase 2 program comprised 5 holes targeting the Stander Zone, and Phase 3 comprised 4 holes targeting Stander Zone extensions. Assays are pending at this time. A total of 1,210 soils have been collected and submitted for analysis from east of Lone Star Zone and east and west of Stander Zone. Prospecting rock samples and channel samples have been collected and submitted for analysis from the Lone Star Zone and Stander Zone. Dulac Mining has commenced 2020 placer mining on ground leased from the Company on the Upper Eldorado placer property. The Company retains a 10% production royalty payable in placer gold.

No results from 2020 programs are available at this time.

The Company completed a \$2.75 million exploration program in 2019.

### **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.

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- 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, EC19-248 to EC19-335, were drilled testing a variety of specific targets during the campaign. Core logging, geotechnical work, and core sampling were completed by mid-October.

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 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, prospecting rock samples, and soil 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. Sampling/assay procedures and protocols can be viewed on the Company’s website at: <http://www.klondikegoldcorp.com/projects/sampling-and-assay-protocols/>.

### **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. In late September 2019, Dulac performed work including 4-days of ‘test mining’. Processing and concentrating occurred in summer 2020. Dulac Mining began preparation work, then stripping and processing in April 2020. Results of this work are still pending.

#### ***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 (late 2019) approval of mining extraction from the Yukon Environmental and Socio-economic Assessment Board and recently (April 29, 2020) received a mining permit and water licence for a 7-year mine life plus a 3-year remediation period from the Yukon Water Board, now pending an approval of ‘Wetland Reclamation Plan’ from the Yukon Department of Energy, Mines and Resources.



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***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. The Company plans to conduct some test pitting in 2020.

**BRITISH COLUMBIA PROPERTIES**

In May 2020, the Company sold its portfolio of British Columbia gold projects in entirety to Ximen Mining Corp. (“Ximen”) in return for a \$100,000 cash payment, plus 1,000,000 Ximen common shares and 1,000,000 Ximen warrants.

The Company no longer holds any mineral property in British Columbia.

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

<b>Ownership</b>	<b>Property</b>	<b>Number of Claims</b>	<b>Area (sq. km)</b>
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
<b>TOTAL CLAIMS</b>		<b>98</b>	<b>41.7</b>

**OVERALL FINANCIAL PERFORMANCE**

**Results from Operations**

As at May 31, 2020, a total of \$22.59 million was held in exploration and evaluation assets (February 29, 2020 - \$23.10 million), which is invested in the Yukon. Total assets increased to \$25.81 million (February 29, 2020 - \$24.38 million). During the three months ended May 31, 2020, the Company raised \$1.15 million from a non-brokered private placement, net of share issuance costs.

*Three months ended May 31, 2020 and 2019*

The Company’s net income for the three months ended May 31, 2020, was \$272,963, up from net loss of \$655,658 for the three months ended May 31, 2019. The change for the three months ended May 31, 2020, was primarily due to a decrease in marketing costs of \$88,779, unrealized gain on marketable securities of \$310,000, unrealized gain on warrants of \$224,668, and share-based compensation in the prior period from stock options granted of \$285,523.

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**SUMMARY OF QUARTERLY RESULTS**

Quarter Ended	May 31, 2020	Feb 29, 2020	Nov 30, 2019	Aug 31, 2019
	\$	\$	\$	\$
Revenue	-	-	-	-
Net income (loss) and comprehensive income (loss)	272,963	337,596	(388,230)	(467,575)
Net income (loss) per share	0.00	0.00	(0.00)	(0.00)

	May 31, 2019	Feb 28, 2019	Nov 30, 2018	Aug 31, 2018
	\$	\$	\$	\$
Revenue	-	-	-	-
Net loss and comprehensive loss	(655,658)	(273,681)	(261,557)	(40,099)
Net loss per share	(0.01)	(0.00)	(0.00)	(0.00)

**FINANCIAL LIQUIDITY AND CAPITAL RESOURCES**

The Company had working capital of \$944,675 at May 31, 2020, compared to working capital of \$134,689 at February 29, 2020. The Company's cash position at May 31, 2020, was \$1,014,125 and at February 29, 2020, was \$133,949.

During the three months ended May 31, 2020, the Company's cash increased by \$880,176. Cash provided by financing activities included \$1,154,384 received on the issuance of common shares, net of share issuance costs. Cash used in investing activities included \$131,727 used to fund exploration and evaluation asset expenditures and \$100,000 received on the sale of exploration and evaluation assets. Cash used in operating activities totaled \$242,481.

**SHARE CAPITAL INFORMATION**

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

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

In July 2020, 112,000 stock options with an exercise price of \$0.12 were exercised for proceeds of \$13,440.

As at the date of this MD&A, an aggregate of 120,196,140 common shares are issued and outstanding.



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**Warrants**

As at the date of this MD&A, the Company has 27,444,673 warrants outstanding to acquire common shares as follows:

Number Outstanding	Exercise Price Per Share [\$]	Expiry Date
2,000,000	0.35	May 31, 2021
1,611,666	0.35	September 13, 2021
9,700,390	0.35	March 18, 2022
5,575,000	0.30	April 4, 2022
6,687,222	0.25	April 23, 2022
157,895	0.25	April 23, 2022
750,000	0.35	May 22, 2022
962,500	0.50	September 3, 2022
<b>27,444,673</b>		

**Stock Options**

As at the date of this MD&A, the Company has 9,519,500 stock options outstanding to acquire common shares as follows:

Number Outstanding	Exercise Price Per Share [\$]	Expiry Date
1,294,500	0.12	December 16, 2024
805,000	0.19	April 19, 2026
660,000	0.28	June 21, 2026
400,000	0.30	September 13, 2026
1,125,000	0.26	April 24, 2027
3,450,000	0.29	March 28, 2028
1,785,000	0.21	May 17, 2029
<b>9,519,500</b>		

**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.

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- a) During the three months ended May 31, 2020, the Company was charged management fees of \$34,500 (May 31, 2019 - \$34,500) by a company owned by the CEO of the Company. Of this amount, \$9,200 (May 31, 2019 - \$10,350) was included in additions to exploration and evaluation assets on the statements of financial position.
- b) During the three months ended May 31, 2020, the Company was charged \$42,225 (May 31, 2019 - \$31,500), \$12,225 of which was share issue costs (May 31, 2019 - \$1,500) by a company whose CEO is a director of the Company, for corporate administration services included in consulting in profit or 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 three months ended May 31, 2020, was \$nil for vested stock options granted to directors and officers of the Company, and affiliated companies of directors and officers of the Company (May 31, 2019 - \$161,484).

**NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

There are no new or upcoming accounting standards that are expected to have a material impact on the Company's financial statements.

**FINANCIAL INSTRUMENT CLASSIFICATIONS**

The fair values of the Company's cash and cash equivalents, restricted cash, amounts receivable, reclamation bond, trade and other payables, and lease approximate their carrying value, due to their short-term maturities. Common shares and warrants of publicly traded companies are classified as and measured at fair value through profit or loss.

As at May 31, 2020, 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 May 31, 2020 and 2019. The Company does not have any interest bearing debt.

ii) **Foreign currency risk**

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

iii) **Price risk**

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

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

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



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

The Company is exposed to price risk with respect to its investments in Ximen.

## **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 2 to the annual consolidated financial statements for the year ended February 29, 2020.

### **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. An initial budget of \$1.0 million is contemplated for 2020 exploration, with the exploration program 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.

### **COVID-19 UNCERTAINTY**

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

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