KLONDIKE GOLD CORP.

Condensed Interim
Consolidated Financial Statements

For The Three and Nine Months Ended
November 30, 2015 and 2014
(Expressed in Canadian Dollars)
(Unaudited)

NOTICE

No auditor review of the Interim Financial Statements.

The unaudited condensed consolidated interim financial statements of Klondike Gold Corp. (“the Company”), for the three and nine months ended November 30, 2015 and 2014, have been prepared by management and have not been the subject of a review by the Company’s external independent auditors.

KLONDIKE GOLD CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars - Unaudited)

		November 30, 2015		February 28, 2015
Assets				
Current assets				
Cash and cash equivalents	**$**	**347,568**	$	956,598
Restricted cash (Note 5)		**10,000**		10,000
Amounts receivable		**49,775**		41,610
Prepaid expenses and deposits		**21,596**		91,117
Total current assets		**428,939**		1,099,325
Available-for-sale investments (Note 6)		**191,935**		407,531
Reclamation bond		**3,500**		3,500
Property and equipment (Note 7)		**405,361**		473,486
Exploration and evaluation assets (Note 8)		**8,102,030**		7,724,211
Total assets	**$**	**9,131,765**	$	9,708,053
Liabilities				
Current liabilities				
Trade and other payables	**$**	**81,810**	$	74,536
Due to related parties (Note 11)		**12,075**		12,075
Mortgage payable (Note 10)		**-**		176,000
Flow-through premium (Note 12(b))		**-**		40,000
Total liabilities		**93,885**		302,611
Equity				
Share capital (Note 12)		**59,727,143**		59,727,143
Reserves		**4,785,327**		4,863,107
Deficit		**(55,571,988)**		(55,282,206)
Shareholders' equity		**8,940,482**		9,308,044
Non-controlling interest		**97,398**		97,398
Total equity		**9,037,880**		9,405,442
Total liabilities and equity	**$**	**9,131,765**	$	9,708,053

Nature of operations and going concern (Note 1)
Subsequent event (Notes 1, 12(b))
Commitments (Note 17)

Approved by the Board of Directors and authorized for issue on January 28, 2016:

"Peter Tallman" Director

"Gordon Keep" Director

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

KLONDIKE GOLD CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the three and nine months ended November 30, 2015 and 2014
(Expressed in Canadian dollars - Unaudited)

	Three months ended November 30, 2015	Three months ended November 30, 2014	Nine months ended November 30, 2015	Nine months ended November 30, 2014
Expenses				
Consulting and wages (Note 11)	**$ 92,531**	$ 71,112	**$ 281,772**	$ 276,472
Office and miscellaneous	**19,889**	24,185	**56,368**	57,296
Professional fees	**(10,702)**	101	**31,125**	90,542
Travel	**14,494**	1,685	**31,012**	10,689
Regulatory and transfer agent	**4,283**	6,094	**22,208**	40,227
Depreciation	**6,625**	39,517	**20,411**	83,542
	(127,120)	(142,694)	**(442,896)**	(558,768)
Miscellaneous income (Note 18)	**4,976**	-	**87,001**	2,372
Interest income	**208**	-	**3,601**	-
Other income (Note 12(b))	**12,694**	-	**40,000**	-
Foreign exchange loss	**-**	-	**-**	(2,981)
Finance expense	**-**	(12,260)	**(5,550)**	(46,013)
Gain (loss) on sale of equipment	**-**	238	**4,762**	(5,603)
Gain on sale of available-for-sale investments	**-**	-	**23,300**	-
Share of loss in joint venture investment (Note 9)	**-**	1,087	**-**	(33,061)
Gain on disposition of joint venture (Note 9)	**-**	195,624	**-**	195,624
Net loss	**(109,242)**	41,995	**(289,782)**	(448,430)
Other comprehensive loss				
Unrealized loss on available-for-sale investments	**(63,977)**	(25,858)	**(54,480)**	(72,486)
Reclassification on disposition of available-for-sale investments	**-**	-	**(23,300)**	-
Other comprehensive loss	**(63,977)**	(25,858)	**(77,780)**	(72,486)
Comprehensive loss for the period	**(173,219)**	16,137	**(367,562)**	(520,916)
Net loss attributable to:				
Shareholders	**$ (109,242)**	$ 41,995	**$ (289,782)**	$ (443,896)
Non-controlling interest	**-**	-	**-**	(4,534)
	$ (109,242)	$ 41,995	**$ (289,782)**	$ (448,430)
Basic and diluted loss per share	**$ (0.00)**	$ 0.00	**$ (0.01)**	$ (0.03)
Weighted average number of common shares outstanding basic and diluted	**33,809,041**	20,683,407	**33,809,041**	14,612,775

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

KLONDIKE GOLD CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars - Unaudited)

	SHARE CAPITAL			RESERVES						
	Shares issued	Amount	Share Subscriptions	Share Premium	Share Based Payments	Available-For-Sale Financial Assets	Deficit	Owners' Equity	Non Controlling Interest	Total Equity
At February 28, 2014	11,643,444	$ 55,625,491	$ -	$ 27,405	$ 3,460,764	$ (50,416)	$ (54,263,731)	$ 4,799,513	$ 513,709	$ 5,313,222
Other comprehensive loss	-	-	-	-	-	(72,486)	-	(72,486)	-	(72,486)
Purchase of Klondike Star Mineral Corp.	1,229,345	245,869	-	-	-	-	513,709	759,578	(411,777)	347,801
Purchase of 46799 Yukon Inc.	6,435,000	1,287,000	-	-	-	-	-	1,287,000	-	1,287,000
Warrants issued for settlement of amounts payable	-	-	-	-	1,157,335	-	-	1,157,335	-	1,157,335
Private placement	9,568,082	1,530,893	-	-	191,362	-	-	1,722,255	-	1,722,255
Private placement - flow-through	3,125,000	625,000	-	-	-	-	-	625,000	-	625,000
Flow-through premium	-	(31,250)	-	-	-	-	-	(31,250)	-	(31,250)
Share issue costs	-	(65,038)	-	-	-	-	-	(65,038)	-	(65,038)
Net loss	-	-	-	-	-	-	(448,430)	(448,430)	(4,534)	(452,964)
At November 30, 2014	32,000,871	$ 59,217,965	$ -	$ 27,405	$ 4,809,461	$ (122,902)	$ (54,198,452)	$ 9,733,477	$ 97,398	$ 9,830,875
At February 28, 2015	33,809,266	$ 59,727,143	$ -	$ 27,405	$ 4,888,449	$ (52,747)	$ (55,282,206)	$ 9,308,044	$ 97,398	$ 9,405,442
Other comprehensive loss	-	-	-	-	-	(77,780)	-	(77,780)	-	(77,780)
Net loss	-	-	-	-	-	-	(289,782)	(289,782)	-	(289,782)
At November 30, 2015	33,809,266	$ 59,727,143	$ -	$ 27,405	$ 4,888,449	$ (130,527)	$ (55,571,988)	$ 8,940,482	$ 97,398	$ 9,037,880

Note 1 - Effective July 28, 2014, the Company's common shares were consolidated on the basis of 10 pre-consolidation common shares for 1 post-consolidation common share. All common share, share purchase warrant, share option, and per share amounts in these consolidated financial statements have been retrospectively restated to present post-consolidation amounts.

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

KLONDIKE GOLD CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended November 30, 2015 and 2014
(Expressed in Canadian dollars)
(Unaudited)

		2015		2014
Operating activities				
Net loss for the period	$	(289,782)	$	(448,430)
Items not involving cash:				
Depreciation		20,411		83,542
Share of loss in joint venture investment		-		33,061
(Gain) loss on disposal of equipment		(4,762)		55,356
Gain on disposition of joint venture		-		(195,624)
Gain on sale of available-for-sale investments		(23,300)		
Other income		(40,000)		-
Changes in non-cash working capital items:				
Amounts receivable		(8,165)		(9,870)
Prepaid expenses		69,521		(73,838)
Due to related parties		-		(33,150)
Accrued interest		-		(11,781)
Trade and other payables		7,274		(141,654)
Cash used in operating activities		(268,803)		(742,388)
Financing activities				
Proceeds on loans		-		229,000
Repayment of loans		-		(729,000)
Shares issue costs		-		2,282,217
Repayment of mortgage (Note 10)		(176,000)		(18,000)
Cash (used in) provided by financing activities		(176,000)		1,764,217
Investing activities				
Equipment		52,476		29,400
Exploration and evaluation assets		(904,812)		(246,779)
Proceeds on gold sales		526,994		216,341
Cash acquired on acquisition of subsidiaries (Notes 9, 13)		-		1,387
Investment in joint venture (Note 9)		-		87,572
Sale of available-for-sale investments		161,115		3,221
Cash (used in) provided by investing activities		(164,227)		91,142
Change in cash during the period		(609,030)		1,112,971
Cash, beginning of period		956,598		73,681
Cash, end of period	$	347,568	$	1,186,652
Interest paid	$	1,320	$	-
Taxes paid	$	-	$	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Klondike Gold Corp. (the "Company") is a Vancouver-based resource exploration company listed on the TSX Venture Exchange under the symbol "KG". The Company was incorporated on August 23, 1978 under the laws of the Province of British Columbia, Canada. The Company's head office is located at Suite 3123, 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1J1 and the Company's registered and records office is located at suite 2500 – 700 West Georgia St., V6Y 1B3.

These unaudited condensed interim consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis and be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the nine months ended November 30, 2015, the Company reported a loss of $289,782 and an accumulated deficit of $55,571,988 at that date. The Company had working capital of $335,054 and cash of $347,568 at November 30, 2015.

Continuing operations as a going concern are dependent upon management's ability to raise adequate financing and to ultimately achieve profitable operations in the future. Subsequent to November 30, 2015 the Company closed a non-brokered private placement for gross proceeds of $75,000 in flow through shares and $341,500 in non-flow through units (Note 12(b)). Management has implemented a series of cost cutting measures and continues to seek financing for the Company. Although management has been successful in the past; there is no assurance that these initiatives will be successful in the future. These conditions may cast significant doubt on the Company's ability to continue as a going concern.

These 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 were the going concern assumption inappropriate, and these adjustments would be material.

2. BASIS OF PRESENTATION

a) Statement of Compliance

The Company prepares its annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and follow the same accounting policies and methods of application as the Company's most recent annual financial statements. Accordingly, they should be read in conjunction with the Company's most recent annual financial statements.

b) Basis of Measurement

These statements have been prepared on a historical cost basis except for cash flow information and financial instruments that have been measured at fair value through profit and loss. In addition, these statements have been prepared using the accrual basis of accounting, except for cash flow information. Certain prior period balances have been re-classified to conform to the current period presentation.

2. BASIS OF PRESENTATION (continued)

c) Foreign Currencies

The presentation currency of the Company and the functional currency of the Company and its subsidiaries is the Canadian dollar. All financial information is presented in Canadian dollars unless otherwise noted and all financial information has been rounded to the nearest dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

d) Basis of Consolidation

Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. All intercompany balances and transactions are eliminated upon consolidation. The Company's principal operating subsidiaries are as follows:

Name	Principal Activity	Place of Incorporation	Ownership %
Lonestar Gold Inc.	Exploration company	Canada	100%
Klondike Star Mineral Corp.	Exploration company	USA	72%

e) Measurement Uncertainty

Management's capitalization of exploration and evaluation costs and assumptions regarding the future recoverability of such costs are subject to significant measurement uncertainty. Management's assessment of recoverability is based on, among other things, the Company's estimate of current mineral reserves and resources which are supported by geological estimates, estimated gold and metal prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded for exploration and evaluation assets.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these unaudited condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The unaudited condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed consolidated interim 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 may affect both the period of revision and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The estimated flow-through obligations to investors included in accrued liabilities;
- The carrying value and recoverable amount of exploration and evaluation assets;
- The determination of cash generating units in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets;
- The inputs used in accounting for share-based compensation expense in the statements of operations and comprehensive loss;
- The inputs used in assessing the recoverability of deferred income tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income; and
- Management's assumption that there are currently no decommissioning liabilities is based on the facts and circumstances that exist during the period.

4. NEW AND FUTURE ACCOUNTING STANDARDS AND INTERPRETATIONS

The Company has not applied the following new and revised IFRSs and IFRICs that have been issued but are not yet effective:

IFRS 9 - Financial Instruments was issued in November 2009 and covers the classification and measurement of financial assets as part of its project to replace IAS 39 - Financial Instruments: Recognition and Measurement. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entitles would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is applicable for periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2018.

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position. Disclosure changes are anticipated.

(Expressed in Canadian dollars)

5. RESTRICTED CASH

The Company has a corporate credit card with a limit of $10,000. As collateral for the credit card, the Company maintains a one-year term deposit of $10,000 (February 28, 2015 - $10,000) earning interest at an annual rate of 0.65% with a maturity date of February 21, 2016.

6. AVAILABLE-FOR-SALE INVESTMENTS

	As of November 30, 2015			As of February 28, 2015		
	Shares		**Fair Value**	Shares		Fair Value
Medgold Resources Corp.	**2,373,918**	**$**	**142,435**	3,147,418	$	267,531
PJX Resources Inc. (Note 8)	**330,000**		**49,500**	700,000		140,000
		$	**191,935**		$	407,531

7. EQUIPMENT

Cost	Vehicles	Computers	Machinery/ Equipment	Building	Total
Balance, February 28, 2014	141,229	28,583	148,729	-	318,541
Additions	2,427	-	-	-	2,427
Disposals	(48,588)	-	(116,368)	-	(164,956)
Acquisition of KG46 Holdings Ltd. (Note 9)	26,099	-	856,562	380,000	1,262,661
Write-down of equipment	(121,167)	-	(661,600)	-	(782,767)
Balance, February 28, 2015	-	28,583	227,323	380,000	635,906
Additions	-	-	-	-	-
Disposals	-	-	(73,143)	-	(73,143)
Balance, November 30, 2015	**$ -**	**$ 28,583**	**$ 154,180**	**$ 380,000**	**$ 562,763**

Accumulated amortization	Vehicles	Computers	Machinery/ Equipment	Building	Total
Balance, February 28, 2014	$ 71,062	$ 17,696	$ 74,892	$ -	$ 163,650
Additions	33,059	9,401	74,056	4,750	121,266
Disposals	(23,526)	-	(41,340)	-	(64,866)
Acquisition of KG46 Holdings Ltd. (Note 9)	14,521	-	152,829	33,250	200,600
Write-down of equipment	(95,116)		(163,114)	-	(258,230)
Balance, February 28, 2015	-	27,097	97,323	38,000	162,420
Additions	-	1,486	4,675	14,250	20,411
Disposals	-	-	(25,429)	-	(25,429)
Balance, November 30, 2015	**$ -**	**$ 28,583**	**$ 76,569**	**$ 52,250**	**$ 157,402**

Carrying amount	Vehicles	Computers	Machinery/ Equipment	Building	Total
Balance, February 28, 2015	$ -	$ 1,486	$ 130,000	$ 342,000	$ 473,486
Balance, November 30, 2015	**$ -**	**$ -**	**$ 77,611**	**$ 327,750**	**$ 405,361**

(Expressed in Canadian dollars)

7. EQUIPMENT (continued)

During the nine months ended November 30, 2015, the Company sold equipment for proceeds of $52,476.

8. EXPLORATION AND EVALUATION ASSETS

	Placer Claims	Yukon Claims	Total
	$	$	$
Acquisition costs:			
Balance, February 28, 2015 and November 30, 2015	1,167,436	3,118,843	4,286,279
Exploration costs:			
Balance, February 28, 2015	25,494	3,628,779	3,654,273
Consulting & wages	-	232,452	232,452
Camp supplies	-	88,339	88,339
Fuel	-	28,235	28,235
Lab analysis	-	75,445	75,445
Property maintenance	-	69,370	69,370
Drilling	-	196,578	196,578
Surveying	-	188,480	188,480
Travel	-	25,914	25,914
Balance, November 30, 2015	25,494	4,533,592	4,559,086
Royalty payments received:			
Balance, February 28, 2015	(216,341)	-	(216,341)
Gold sales (Note 9)	(526,994)	-	(526,994)
Balance, November 30, 2015	(743,335)	-	(743,335)
Total costs:			
Balance, November 30, 2015	665,936	7,652,435	8,102,030

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

	Placer Claims	Yukon Claims	Total
	$	$	$
Acquisition costs:			
Balance, February 28, 2014	-	1,364,222	1,364,222
Additions	-	55,773	55,773
Acquisition of Klondike Star (Note 14)	-	1,698,848	1,698,848
Acquisition of KG46 Holdings Ltd. (Note 9)	1,167,436	-	1,167,436
Balance, February 28, 2015	1,167,436	3,118,843	4,286,279
Exploration costs:			
Balance, February 28, 2014	-	3,424,043	3,424,043
Consulting & wages	15,484	130,296	145,780
Camp supplies	-	11,837	11,837
Fuel	-	6,823	6,823
Lab analysis	-	11,058	11,058
Property maintenance	10,010	38,279	48,289
Travel	-	6,443	6,443
Balance, February 28, 2015	25,494	3,628,779	3,654,273
Royalty payments received:			
Balance, February 28, 2014	-	-	-
Gold sales (Note 9)	(216,341)	-	(216,341)
Balance, February 28, 2015	(216,341)	-	(216,341)
Total costs:			
Balance, February 28, 2015	976,589	6,747,622	7,724,211

a) B.C. Claims

The Company holds title to 277 claims in good standing totalling 280 square kilometres in area in south-eastern B.C., prospective for gold and base metals.

On February 27, 2014, the Company completed a purchase and sale agreement with PJX Resources Inc. (“PJX”) for the acquisition by PJX of 100% of Klondike’s Vine Extension Property comprised of 84 claims totalling 6,300 hectares located near Cranbrook, British Columbia, Canada. PJX has purchased 100% of the Company’s interest in the Property by issuing 700,000 common shares to the Company. In addition to the payment of shares, the Company retains a royalty equal to 1% of Net Smelter Returns (“NSR”) from minerals produced from the property.

b) Ontario Claims

The Matarrow property was acquired by option dated February 7, 2007 as amended December 10, 2008 and subsequently expanded by staking. By February 26, 2010 the Company had earned a 100% interest in the property subject to a 2% NSR of which half can be purchased for $1,000,000.

8. EXPLORATION AND EVALUATION ASSETS (continued)

c) Yukon Claims

These claims are a large non-contiguous group of claims acquired by staking and option agreements.

The Company holds a 100% beneficial interest in a group of quartz claims and crown grants (the "Yukon Property") located between Eldorado Creek and Upper Bonanza Creek, Dawson Mining Division, Yukon Territory.

On June 6, 2011, the Company along with Klondike Star Mineral Corp. ("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.

On January 12, 2012, the Company acquired by way of a share exchange 80% of Lonestar (Note 14), with the remaining 20% held by KSMC. On July 18, 2014, the Company completed the acquisition of 72% of the outstanding shares of KSMC (Note 13). The purpose of the acquisition was to enable Klondike Gold to consolidate ownership of the gold properties in the Yukon. The Company intends to complete the acquisition of the remaining 28% in the near term.

d) Portuguese Exploration Licenses

The Company previously held five exploration licenses totaling approximately 604 km2 area prospective for gold from the Portuguese Department of Energy & Geology.

In an agreement dated January 24, 2014, the Company sold its Portuguese subsidiary which owns the Portuguese exploration licenses to Medgold Resource Ltd., a subsidiary of Medgold Resources Corp. ("Medgold"), for consideration of $500,000 to be paid in cash or shares or a combination. As at November 30, 2015, the Company has received $150,000 cash and $350,000 in common shares of Medgold.

The Company retains a 2% NSR over the Portugese exploration licenses, of which Medgold Resource Ltd. may purchase all or parts of the NSR for $1,000,000 per percentage point.

9. ACQUISITION OF KG46 HOLDINGS LTD

During the year ended February 28, 2013, the Company and 46799 Yukon Inc. ("Yukon Inc.") entered into a joint arrangement agreement. Each company owned 50% of KG46 Holdings Ltd. ("KG46"), the joint venture company ("Joint Venture") which operates a placer mining operation south of Dawson City in Canada's Yukon Territory. At the time of forming the Joint Venture, the Company provided exclusive exploration, development and mining rights to certain placer gold mining claims and extensive mining data to the investment in Joint Venture. Yukon Inc. provided equipment and initial capital to the Joint Venture.

On September 16, 2014, the Company closed the acquisition of Yukon Inc. in consideration for the issuance of 6,435,000 common shares of the Company at a deemed price of $0.20 per share. As a result of the acquisition, the Company now holds an undivided 100% interest in the property subject to an existing third party 5% royalty on production of gold or other minerals.

(Expressed in Canadian dollars)

9. ACQUISITION OF KG46 HOLDINGS LTD (continued)

Prior to September 16, 2014, the Company's interest in the Joint Venture was reflected as an Investment in Joint Venture, all project related costs were recorded in KG46 and the Company accounted for its interest in the joint venture under the equity method.

Equity Investment Continuity

		March 1, 2014 to September 16, 2014		Year ended February 28, 2014
Opening balance	**$**	**540,026**	$	126,657
Current period (repayments) contributions		**(87,572)**		814,037
Share of loss in joint venture investment		**(33,061)**		(400,668)
Closing balance	**$**	**419,393**	$	540,026

The transaction was accounted for as a business combination with the Company identified as the acquirer. As KG46 was previously accounted for using the equity method, upon acquiring control the difference between the carrying value at the time of the acquisition and the fair value, in the amount of $195,624, was recognized as a gain on the consolidated statement of comprehensive income (loss). The results of KG46 after the acquisition date have been consolidated in the Company's financial results.

The following table summarizes the consideration paid and the fair values of the assets acquired and liabilities assumed, recognized as of the acquisition date:

Purchase price		
Fair value of previously held equity interest	$	615,017
Consideration		1,287,000
Total purchase price	$	1,902,017
Fair value of assets acquired and liabilities assumed		
Cash	$	280
Amounts receivable		14,562
Equipment		1,062,061
Exploration and evaluation assets		1,116,498
Amounts payable		(61,384)
Mortgage payable		(230,000)
	$	1,902,017

<u>Assignment of Lease on Indian River Property</u>

During the year ended February 28, 2015, the Company and 46799 Yukon Inc. (the "Assignors") signed an assignment of lease agreement with Jerusalem Mining LLC (the "Assignee") pursuant to which, the Assignors assigned to the Assignee all of the rights, benefits and obligations of a portion of the Indian River placer property,

9. ACQUISITION OF KG46 HOLDINGS LTD (continued)

The lease is subject to cancellation by notice of either party to the other and still remains in effect as at November 30, 2015. In consideration, the Assignee has granted to the Assignors a 20% royalty on gross production of gold, subject to a minimum annual payment of 100 ounces raw gold, or cash equivalent.

As of November 30, 2015, the Company has received $743,335 in royalty payments, which are netted against capitalized costs in the unaudited condensed interim statements of financial position.

10. MORTGAGE PAYABLE

On July 15, 2012, KG46 Holdings Ltd. entered into a $380,000 mortgage agreement. The agreement required quarterly payments of $18,000, over 3 years, with the balance remaining to be paid within 30 days after the end of term - July 15, 2015. The mortgage was carried at 3% interest per annum. During the nine months ended November 30, 2015, the remaining principal of $176,000 was paid in full and interest payments of $1,320 were made.

11. RELATED PARTY BALANCES AND TRANSACTIONS

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

a) During the nine months ended November 30, 2015, the Company was charged consulting fees of $103,500 (November 30, 2014 – $103,500) by Atlantic Zinc Resources Ltd., a company owned by the CEO of the Company. During the three months ended November 30, 2015, the Company was charged consulting fees of $34,500 (November 30, 2014 – $34,500) by Atlantic Zinc Resources Ltd., a company owned by the CEO of the Company. As at November 30, 2015, $12,075 was payable to Atlantic Zinc Resources Ltd.

b) During the nine months ended November 30, 2015, the Company was charged $90,000 (November 30, 2014 – $90,000) by Fiore Management and Advisory Corp., a company whose CEO is a director of the Company, for corporate administration services. During the three months ended November 30, 2015, the Company was charged $30,000 (November 30, 2014 – $30,000) by Fiore Management and Advisory Corp., a company whose CEO is a director of the Company, for corporate administration services.

12. SHARE CAPITAL

Effective July 28, 2014, the Company’s common shares were consolidated on the basis of 10 pre-consolidation common shares for 1 post-consolidation common share. All common share, share purchase warrant, share option, and per share amounts in these unaudited condensed interim consolidated financial statements have been retrospectively restated to present post-consolidation amounts.

a) Authorized: Unlimited common shares without par value.

(Expressed in Canadian dollars)

12. SHARE CAPITAL (continued)

b) No common shares were issued during the nine months ended November 30, 2015.

A flow-through premium liability of $40,000 was allocated to the flow-through portion of the private placement based on the difference between the issuance price and the market price of the Company's shares. During the nine months ended November 30, 2015, the Company incurred eligible expenditures in excess of $800,000 and thus the flow-through premium was fully amortized to the statement of loss and comprehensive loss for the nine months ended November 30, 2015, as other income.

Subsequent to November 30, 2015 the Company closed a non-brokered private placement of 750,000 in flow through shares at a price of $0.10 per share for gross proceeds of $75,000 and 3,415,000 in non-flow through units at a price of $0.10 per unit for gross proceeds of $341,500. Each non-flow through unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.15 per common share until December 23, 2017.

c) A summary of the changes in share purchase warrants follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, February 28, 2014	427,083	$ 4.10
Issued	12,657,265	0.34
Expired	(73,333)	15.00
Balance, February 28, 2015	13,011,015	0.38
Expired	(293,750)	2.00
Balance, November 30, 2015	12,717,265	$ 0.34

As at November 30, 2015, the following share purchase warrants were outstanding:

Number of Warrants	Weighted Average Exercise Price	Expiry Date
60,000	$1.20	October 30, 2016
2,155,788	1.00	January 18, 2017
9,568,082	0.20	November 17, 2017
933,395	0.20	December 15, 2017
12,717,265	$0.34	

As at November 30, 2015 the weighted average remaining contractual life of the share purchase warrants was 1.83 years and the weighted average exercise price was $0.34 (February 28, 2015 - 2.50 years and $0.38).

During the nine months ended November 30, 2015, 293,750 share purchase warrants with an exercise price of $2.00 expired unexercised.

(Expressed in Canadian dollars)

12. SHARE CAPITAL (continued)

d) A summary of the changes in stock options follows:

	Number of Options	Weighted Average Exercise Price
Balance, February 28, 2014	639,266	$ 1.60
Expired / Cancelled	(639,266)	(1.50)
Granted	2,850,000	0.12
Balance, February 28 and November 30, 2015	2,850,000	$ 0.12

The following summarizes stock options outstanding and exercisable as at November 30, 2015:

Number of Options Oustanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Expiry Date
2,850,000	$0.12	9.05	December 16, 2024

e) Share-based Compensation

The Company has a stock option plan that provides for the issuance of options to its directors, officers, employees and consultants. The maximum number of outstanding options must be no more than 10% of the issued and outstanding shares at any point in time. No stock options were granted during the nine months ended November 30, 2015.

f) Flow-Through Expenditure Commitments

As at November 30, 2015, $800,000 of flow-through funds have been spent, and as such the Company has met it’s flow-through commitment in full.

13. ACQUISITION OF KLONDIKE STAR MINERAL CORP.

On July 18, 2014, the Company completed the acquisition of 72% of the outstanding shares of KSMC, a private Delaware company. In consideration for the shares of KSMC the Company issued 1,229,345 common shares. In the near term, the Company intends to complete its subsequent share acquisition transaction to acquire the remaining balance of the KSMC shares so that the Company will own 100% of KSMC.

The acquisition was valued based on the market price of the Company’s shares issued of $0.20 and allocated to the net assets of KSMC as follows:

(Expressed in Canadian dollars)

13. ACQUISITION OF KLONDIKE STAR MINERAL CORP. (continued)

	Number of shares issued		Share value	Fair Value ($)
Klondike Gold Common Shares	1,229,345	$	0.20	245,869
Allocated to:				
Cash				1,107
Exploration and evaluation assets				1,698,848
Accounts payable				(1,356,688)
Non-controlling interest				(97,398)
				245,869

14. ACQUISITION OF LONESTAR GOLD INC.

On December 29, 2011 the Company completed an exempt take-over bid to acquire an 80% interest in the shares of Lonestar Gold Inc. ("Lonestar") a privately held British Columbia company. The remaining 20% of Lonestar is held by KSMC. On July 18, 2014, the Company acquired 72% of KSMC (Note 13).

For the nine months ended November 30, 2015, the loss allocated to non-controlling interests of the subsidiary was nil (November 30, 2014 - $4,534).

15. MANAGEMENT OF CAPITAL

The Company manages its cash, common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account.

(Expressed in Canadian dollars)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at November 30, 2015, the classification of the financial instruments, as well as their carrying values and fair values, are shown in the table below:

	Held for trading	Loans and Receivables Amortized Cost	Available-for-sale	Total Carrying Value	Fair value
Financial assets	$	$	$	$	$
Cash	347,568	-	-	347,568	347,568
Restricted cash	10,000	-	-	10,000	10,000
Available-for-sale Investments	-	-	191,935	191,935	191,935
Reclamation Bonds	3,500	-	-	3,500	3,500
Amounts receivable	-	49,775	-	49,775	49,775
	361,068	49,775	191,935	602,778	602,778
Financial liabilities	$	$	$	$	$
Trade and other payables	-	(81,810)	-	(81,810)	(81,810)
Due to related parties	-	(12,075)	-	(12,075)	(12,075)
Mortgage payable	-	-	-	-	-
	-	(93,885)	-	(93,885)	(93,885)

At November 30, 2015 and February 28, 2015, the Company's financial instruments which are measured at fair value on a recurring basis are cash and marketable securities which are classified as Level 1.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgement is required to develop certain of these estimates. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

The Company is exposed to potential loss from various risks including commodity price risk, interest rate risk, currency risk, credit risk and liquidity risk. Based on the Company's operations the liquidity risk and commodity price risk are considered the most significant.

The carrying values of the Company's accounts payable and accrued liabilities were a reasonable approximation of fair value.

(Expressed in Canadian dollars)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

c) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

17. COMMITMENTS

<u>Operating Lease Commitment</u>

The Company leases office premises with a remaining lease term expiring November 30, 2016. The Company's commitment for future minimum payments in respect of the operating lease commitment is as follows:

	November 30, 2015
Short-term portion of the lease (<1 Year)	**$ 23,819**

18. MISCELLANEOUS INCOME

During the nine months ended November 30, 2015, the Company received $87,001 in rental income.