KLONDIKE GOLD CORP.

Condensed Interim
Consolidated Financial Statements

For The Three Months Ended
May 31, 2016 and 2015
(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 months ended May 31, 2016 and 2015, 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)

	May 31, 2016	February 29, 2016
Assets		
Current assets		
Cash and cash equivalents	**$ 1,857,267**	$ 522,988
Restricted cash (Note 5)	**50,000**	25,000
Amounts receivable	**32,579**	14,173
Prepaid expenses and deposits	**65,728**	76,591
Total current assets	**2,005,574**	638,752
Available-for-sale investments (Note 6)	**314,481**	180,065
Reclamation bond	**3,500**	3,500
Property and equipment (Note 7)	**416,676**	406,333
Exploration and evaluation assets (Note 8)	**8,306,895**	8,122,914
Total assets	**$ 11,047,126**	$ 9,351,564
Liabilities		
Current liabilities		
Trade and other payables	**$ 88,015**	$ 82,063
Due to related parties (Note 9)	**-**	12,075
Total liabilities	**88,015**	94,138
Equity		
Share capital (Note 10)	**61,879,957**	60,136,645
Reserves	**5,061,824**	4,773,456
Deficit	**(56,080,068)**	(55,750,073)
Shareholders' equity	**10,861,713**	9,160,028
Non-controlling interest	**97,398**	97,398
Total equity	**10,959,111**	9,257,426
Total liabilities and equity	**$ 11,047,126**	$ 9,351,564

Nature of operations and going concern (Note 1)
Subsequent events (Notes 6, 8(b), 10(c)(d))
Commitments (Notes 10(e), 13)

Approved by the Board of Directors and authorized for issue on July 25, 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 NET LOSS AND COMPREHENSIVE LOSS
For the three months ended May 31, 2016 and 2015
(Expressed in Canadian dollars)
(Unaudited)

	2016	2015
Expenses		
Share-based compensation (Notes 9, 10(d))	$ 147,837	$ -
Consulting and wages (Note 9)	119,256	103,113
Office and miscellaneous	26,717	17,779
Depreciation (Note 7)	17,486	7,822
Travel	15,012	13,919
Professional fees	9,562	5,557
Regulatory and transfer agent	6,966	10,677
	(342,836)	(158,867)
Miscellaneous income (Note 14)	6,048	5,200
Interest income	724	242
Other income (Note 10(b))	7,603	6,390
Finance expense	(263)	(1,320)
Gain (loss) on sale of available-for-sale investments	(1,271)	16,516
Net loss for the period	(329,995)	(131,839)
Other comprehensive gain		
Unrealized gain on available-for-sale investments	137,440	72,545
Reclassification on sale of available-for-sale investments	3,091	(16,516)
Other comprehensive gain	140,531	56,029
Loss and comprehensive loss for the period	(189,464)	(75,810)
Net loss attributable to:		
Shareholders	$ (329,995)	$ (131,839)
	$ (329,995)	$ (131,839)
Basic and diluted loss per share	$ (0.01)	$ (0.00)
Weighted average number of common shares outstanding	40,197,451	33,809,266

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 Premium	Share-based Payments	Available-For-Sale Financial Assets	Deficit	Shareholders' Equity	Non Controlling Interest	Total Equity
At February 28, 2015	33,809,041	$ 59,727,143	$ 27,405	$ 4,888,449	$ (52,747)	$ (55,282,206)	$ 9,308,044	$ 97,398	$ 9,405,442
Other comprehensive income	-	-	-	-	56,029	-	56,029	-	56,029
Net loss for the period	-	-	-	-	-	(131,839)	(131,839)	-	(131,839)
At May 31, 2015	33,809,041	$ 59,727,143	$ 27,405	$ 4,888,449	$ 3,282	$ (55,414,045)	$ 9,232,234	$ 97,398	$ 9,329,632
At February 29, 2016	37,974,041	$ 60,136,645	$ 27,405	$ 4,888,449	$ (142,398)	$ (55,750,073)	$ 9,160,028	$ 97,398	$ 9,257,426
Other comprehensive income	-	-	-	-	140,531	-	140,531	-	140,531
Exercise of warrants (Note 10(c))	466,667	78,333	-	-	-	-	78,333	-	78,333
Private placement (Note 10(b))	6,706,857	1,578,960	-	-	-	-	1,578,960	-	1,578,960
Private placement - flow-through (Note 10(b))	760,250	121,640	-	-	-	-	121,640	-	121,640
Flow-through premium (Note 10(b))	-	(7,603)	-	-	-	-	(7,603)	-	(7,603)
Shares issued as finders fees (Note 10(b))	58,571	8,200	-	-	-	-	8,200	-	8,200
Share issue costs (Note 10(b))	-	(36,218)	-	-	-	-	(36,218)	-	(36,218)
Share-based compensation (Notes 9, 10(d))	-	-	147,837	-	-	-	147,837	-	147,837
Net loss for the period	-	-	-	-	-	(329,995)	(329,995)	-	(329,995)
At May 31, 2016	45,966,386	$ 61,879,957	$ 175,242	$ 4,888,449	$ (1,867)	$ (56,080,068)	$ 10,861,713	$ 97,398	$ 10,959,111

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 three months ended May 31, 2016 and 2015
(Expressed in Canadian dollars)
(Unaudited)

		2016		2015
Operating activities				
Net loss for the period	$	(329,995)	$	(131,839)
Items not involving cash:				
Depreciation		17,486		7,822
Share-based compensation		147,837		-
Loss (gain) on sale of available-for-sale investments		1,271		(16,516)
Other income		(7,603)		(6,390)
Changes in non-cash working capital items:				
Amounts receivable		(18,406)		17,393
Prepaid expenses and deposits		10,863		26,447
Due to related parties		(12,075)		-
Trade and other payables		5,951		4,993
Cash used in operating activities		(184,671)		(98,090)
Financing activities				
Shares issued for cash (Note 10(b))		1,700,600		-
Shares issue costs (Note 10(b))		(28,018)		-
Repayment of mortgage		-		(18,000)
Proceeds from exercise of warrants (Note 10(c))		78,333		-
Cash provided by (used in) financing activities		1,750,915		(18,000)
Investing activities				
Purchase of equipment (Note 7)		(27,829)		-
Exploration and evaluation asset expenditures (Note 8)		(183,981)		(76,494)
Sale of available-for-sale investments (Note 6)		4,845		93,120
Purchase of term deposit (Note 5)		(25,000)		-
Cash (used in) provided by investing activities		(231,965)		16,626
Change in cash and cash equivalents during the period		1,334,279		(99,464)
Cash and cash equivalents, beginning of period		522,988		956,598
Cash and cash equivalents, end of period	$	1,857,267	$	857,134
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" and the Frankfurt Stock Exchange under the symbol "LBDP". 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 three months ended May 31, 2016, the Company reported a loss of $329,995 and an accumulated deficit of $56,080,068 at that date. The Company had working capital of $1,917,559 and cash of $1,857,267 at May 31, 2016.

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. During the three months ended May 31, 2016, the Company closed non-brokered private placements for gross proceeds of $121,640 in flow through shares and $1,578,960 in non-flow through units (Note 10(b)). 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 unaudited condensed interim financial 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 unaudited condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. BASIS OF PRESENTATION (continued)

c) 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.

Non-controlling interest in the net assets of the consolidated subsidiaries are identified separately from the Company's equity. The non-controlling interest consist of the non-controlling interest's portion of net assets and profit or loss.

The Company's subsidiaries are as follows:

Name	Principal Activity	Place of Incorporation	Ownership %
Lonestar Gold Inc.	Exploration company (inactive)	Canada	94%
Klondike Star Mineral Corp.	Exploration company (inactive)	USA	72%

On August 10, 2015, 46799 Yukon Inc., KG46 Holdings Ltd., and Klondike Gold Corp. were amalgamated as one company under the name Klondike Gold Corp.

Except as disclosed below, the significant accounting policies have not changed from the significant accounting policies presented in the audited consolidated financial statements for the year ended February 29, 2016.

(Expressed in Canadian dollars)

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 of operations and financial position. Disclosure changes are anticipated.

5. RESTRICTED CASH

The Company maintains one-year term deposits, as collateral for the credit cards, of $10,000 (February 29, 2016 - $10,000), $15,000 (February 29, 2016 - nil), and $25,000 (February 29, 2016 - nil) earning interest at an annual rate of 0.50% with maturity dates of February 21, February 28, and May 26, 2017, respectively. The Company has the ability to cancel its credit cards and receive the term deposits in full.

6. AVAILABLE-FOR-SALE INVESTMENTS

	As of May 31, 2016		As of February 29, 2016	
	Shares	**Fair Value**	Shares	Fair Value
Medgold Resources Corp.	**2,318,918**	**$ 255,081**	2,373,918	$ 130,565
PJX Resources Inc.	**330,000**	**59,400**	330,000	49,500
		$ 314,481		$ 180,065

During the three months ended May 31, 2016, 55,000 shares of Medgold Resources Corp. ("Medgold") with a cost basis of $6,116 were sold for net proceeds of $4,845 resulting in a loss on sale of $1,271.

Subsequent to May 31, 2016, the remaining 2,318,918 shares of Medgold were sold for net proceeds of $274,036.

(Expressed in Canadian dollars)

7. PROPERTY AND EQUIPMENT

Cost	Vehicles	Computers	Machinery/ Equipment	Building	Total
Balance, February 28, 2015	$ -	$ 28,583	$ 227,323	$ 380,000	$ 635,906
Disposals	-	-	(5,000)	-	(5,000)
Balance, February 29, 2016	-	28,583	222,323	380,000	630,906
Additions	25,500	-	2,329	-	27,829
Balance, May 31, 2016	**$ 25,500**	**$ 28,583**	**$ 224,652**	**$ 380,000**	**$ 658,735**

Accumulated depreciation	Vehicles	Computers	Machinery/ Equipment	Building	Total
Balance, February 28, 2015	$ -	$ 27,097	$ 97,323	$ 38,000	$ 162,420
Depreciation	-	1,486	42,500	19,000	62,986
Disposals	-	-	(833)	-	(833)
Balance, February 29, 2016	-	28,583	138,990	57,000	224,573
Depreciation	2,125	-	10,611	4,750	17,486
Balance, May 31, 2016	**$ 2,125**	**$ 28,583**	**$ 149,601**	**$ 61,750**	**$ 242,059**

Carrying amount	Vehicles	Computers	Machinery/ Equipment	Building	Total
Balance, February 29, 2016	$ -	$ -	$ 83,333	$ 323,000	$ 406,333
Balance, May 31, 2016	**$ 23,375**	**$ -**	**$ 75,051**	**$ 318,250**	**$ 416,676**

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS

	Placer Claims	Yukon Claims	Total
	$	$	$
Acquisition costs:			
Balance, February 29, 2016 and May 31, 2016	1,167,436	3,118,843	4,286,279
Exploration costs:			
Balance, February 29, 2016	25,494	4,554,476	4,579,970
Consulting & wages	-	106,501	106,501
Camp supplies	-	29,441	29,441
Fuel	-	7,942	7,942
Lab analysis	-	8,030	8,030
Property maintenance	-	24,221	24,221
Travel	-	7,846	7,846
Balance, May 31, 2016	25,494	4,738,457	4,763,951
Royalty payments received:			
Balance, February 29, 2016 and May 31, 2016	(743,335)	-	(743,335)
Total costs:			
Balance, May 31, 2016	449,595	7,857,300	8,306,895

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

	Placer Claims	Yukon Claims	Total
	$	$	$
Acquisition costs:			
Balance, February 28, 2015 and February 29, 2016	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	-	243,102	243,102
Camp supplies	-	92,051	92,051
Fuel	-	28,429	28,429
Lab analysis	-	75,503	75,503
Property maintenance	-	70,830	70,830
Drilling	-	196,577	196,577
Surveying	-	193,292	193,292
Travel	-	25,913	25,913
Balance, February 29, 2016	25,494	4,554,476	4,579,970
Royalty payments received:			
Balance, February 28, 2015	(216,341)	-	(216,341)
Gold sales (Note 9)	(526,994)	-	(526,994)
Balance, February 29, 2016	(743,335)	-	(743,335)
Total costs:			
Balance, February 29, 2016	449,595	7,673,319	8,122,914

a) 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, with the remaining 20% held by KSMC. On July 18, 2014, the Company completed the acquisition of 72% of the outstanding shares of KSMC, resulting in a net ownership of 94% in Lonestar. The purpose of the acquisition was to enable Klondike Gold to consolidate ownership of the gold properties in the Yukon.

8. EXPLORATION AND EVALUATION ASSETS (continued)

The Company holds 100% interest in the property where it operates a placer mining operation south of Dawson City, Yukon. The interest in the property is subject to an existing third party 5% royalty on production of gold or other minerals.

Assignment of Lease on Indian River Property

During the year ended February 28, 2015, the Company 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, subject to a minimum annual payment of 100 ounces raw gold, or cash equivalent.

As of May 31, 2016, the Company has received $743,335 in royalty payments, which are netted against capitalized exploration and evaluation asset costs in the consolidated statements of financial position.

During the three months ended May 31, 2016, the lease agreement was not renewed and the Assignee removed equipment and completed reclamation of mined areas.

b) B.C. Claims

The Company holds title to a portfolio of mineral claims in south-eastern B.C., prospective for gold and base metals. The carrying value of which was written-down to nil during the year ended February 28, 2014. The Company retains a royalty equal to 1% of Net Smelter Returns ("NSR") from minerals produced from the property.

During the three months ended May 31, 2016, the Company announced that it had entered into a property purchase agreement (the "Agreement") with Rise for the acquisition by Rise of 100% of a portfolio of seven of the Company's British Columbia properties.

The terms for the Agreement are as follows:

- Payment within 60 days of signing of $50,000 in cash, and payment of 1,500,000 Rise shares and 1,500,000 Rise warrants to purchase 1,500,000 shares for a period of 24 months (collectively the "First Closing"). Subsequent to May 31, 2016, $50,000 in cash, 1,500,000 Rise shares and 1,500,000 Rise warrants were received from Rise.

- Payment upon the one-year anniversary of First Closing of $150,000 in cash, and payment of 2,000,000 Rise shares and 1,000,000 Rise warrants to purchase 1,000,000 shares for a period of 24 months.

- Klondike will retain a 2.0% NSR and Rise will have the right to purchase 50% of this royalty for $1,000,000 million at any time after the First Closing.

c) Ontario Claims

The Company holds a 100% interest in the property subject to a 2% NSR of which half can be purchased for $1,000,000. The carrying value was written-down to nil during the year ended February 28, 2014.

8. EXPLORATION AND EVALUATION ASSETS (continued)

d) Portuguese Exploration Licenses

The Company previously held five exploration licenses prospective for gold from the Portuguese Department of Energy & Geology.

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. 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 have no specific terms of repayment.

a) During the three months ended May 31, 2016, the Company was charged consulting fees of $34,500 (May 31, 2015 – $34,500) by Atlantic Zinc Resources Ltd., a company owned by the CEO of the Company. As at May 31, 2016, nil (February 29, 2016 - $12,075) was payable to Atlantic Zinc Resources Ltd.

b) During the three months ended May 31, 2016, the Company was charged $35,006 (May 31, 2015 – $30,000) by Fiore Management and Advisory Corp. (“Fiore”), a company whose CEO is a director of the Company, for corporate administration services included in consulting and wages. Share-based compensation of $17,308 (May 31, 2015 - nil) was recorded on stock options granted to Fiore.

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, 2016, was $108,173 for stock options granted to directors and officers of the Company (May 31, 2015 - nil).

10. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value.

b) During the three months ended May 31, 2016, the Company closed a non-brokered private placement of 760,250 flow through shares at a price of $0.16 per share for gross proceeds of $121,640 and 2,706,857 non-flow through units at a price of $0.14 per unit for gross proceeds of $378,960. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.20 per common share until April 4, 2019.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

During the three months ended May 31, 2016, the Company closed a non-brokered private placement of 4,000,000 non-flow through units at a price of $0.30 per unit for gross proceeds of $1,200,000. Each unit consists of one common share and one half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $0.35 per common share until November 30, 2018.

Cash transaction costs of $28,018 were incurred as share issue costs and 58,571 non-flow through units with a deemed value of $0.14 were issued as finders fees in relation to the private placements closed during the three months ended May 31, 2016.

No common shares were issued during the three months ended May 31, 2015.

The Company uses the residual value method to value warrants associated with unit financings. As the private placements which closed during the three months ended May 31, 2016 and the year ended February 29, 2016, were not issued at a premium to the market price of the Company's shares, no value has been attributed to the warrants.

A flow-through premium liability of $7,603 was allocated to the flow-through portion of the private placement closed during the three months ended May 31, 2016, based on the difference between the issuance price and the market price of the Company's shares. During the three months ended May 31, 2016, the Company incurred eligible expenditures in excess of $121,640 and thus the flow-through premium was fully amortized to the statement of loss and comprehensive loss for the three months ended May 31, 2016, as other income.

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

	Number of Warrants	Weighted Average Exercise Price
Balance, February 28, 2015	13,011,015	$ 0.38
Issued	3,415,000	0.15
Expired	(293,750)	2.00
Balance, February 29, 2016	16,132,265	0.30
Issued	4,765,428	0.26
Exercised	(466,667)	0.17
Balance, May 31, 2016	20,431,026	$ 0.29

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

As at May 31, 2016, 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
9,336,415	0.20	November 17, 2017
933,395	0.20	December 15, 2017
3,180,000	0.15	December 23, 2017
2,000,000	0.35	November 30, 2018
2,765,428	0.20	April 4, 2019
20,431,026	$0.29	

As at May 31, 2016, the weighted average remaining contractual life of the share purchase warrants was 1.68 years and the weighted average exercise price was $0.30 (February 29, 2016 - 1.63 years and $0.38).

During the three months ended May 31, 2016, 2,765,428 share purchase warrants were issued pursuant to the private placement discussed in note 10(b). The warrants are exercisable at a price of $0.20 per common share until April 4, 2019.

During the three months ended May 31, 2016, 2,000,000 share purchase warrants were issued pursuant to the private placement discussed in note 10(b). The warrants are exercisable at a price of $0.35 per common share until November 30, 2018.

During the three months ended May 31, 2016, 466,667 share purchase warrants were exercised for gross proceeds of $78,333.

There was no change in share purchase warrants during the three months ended May 31, 2015.

Subsequent to May 31, 2016, 65,000 share purchase warrants were exercised for gross proceeds of $13,000.

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

The Company has established a “rolling” Stock Option Plan (the “Plan”). Under the Plan, the number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. The maximum term of each option shall not be greater than 10 years. The exercise price of each option shall not be less than the market price of the Company’s shares at the date of grant. Options granted to Consultants performing Investor Relations Activities shall vest over a minimum of 12 months with no more than 1/4 of such options vesting in any three month period. All other options vest at the discretion of the Board of Directors.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

	Number of Options	Weighted Average Exercise Price
Balance, February 28, 2015 and February 29, 2016	2,850,000	$ 0.12
Granted	1,025,000	0.19
Balance, May 31, 2016	3,875,000	$ 0.14

During the three months ended May 31, 2016, 1,025,000 incentive stock options were granted to directors, officers, employees, charities, and consultants of the Company. The options are exercisable at a price of $0.19 per share until April 19, 2026. The fair value of the stock options was estimated on the date of grant in the amount of $147,837 using the Black-Scholes valuation model with the following assumptions i) exercise price per share of $0.19; ii) expected share price

volatility of 75%; iii) risk free interest rate of 1.59%; iv) no dividend yield. All of these options vested immediately.

Subsequent to May 31, 2016, the Company granted 710,000 incentive stock options to directors, officers, employees, and consultants of the Company. The options are exercisable at a price of $0.28 per common share until June 21, 2026.

The following summarizes stock options outstanding and exercisable as at May 31, 2016:

Number of Options Oustanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
2,850,000	$0.12	8.55	December 16, 2024
1,025,000	0.19	9.89	April 19, 2026
3,875,000	$0.14		

e) Flow-Through Expenditure Commitments

As at May 31, 2016, $75,000 of flow-through funds have been spent pursuant to the flow-through financing completed during the year ended February 29, 2016, and as such the Company has met its flow-through commitment in full.

As at May 31, 2016, $77,421 have been spent pursuant to the flow-through financing completed during the three months ended May 31, 2016, and $44,219 of flow-through expenditures remain to be spent.

11. MANAGEMENT OF CAPITAL

The Company manages its cash and cash equivalents and components of equity 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.

(Expressed in Canadian dollars)

11. MANAGEMENT OF CAPITAL (continued)

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 on deposit in an interest bearing Canadian chartered bank account.

The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the three months ended May 31, 2016.

12. 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 May 31, 2016, 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	1,857,267	-	-	1,857,267	1,857,267
Restricted cash	50,000	-	-	50,000	50,000
Available-for-sale Investments	-	-	314,481	314,481	314,481
Reclamation bond	-	3,500	-	3,500	3,500
Amounts receivable	-	32,579	-	32,579	32,579
	1,907,267	36,079	314,481	2,257,827	2,257,827
Financial liabilities	$	$	$	$	$
Trade and other payables	-	(88,015)	-	(88,015)	(88,015)
	-	(88,015)	-	(88,015)	(88,015)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial Instrument Classifications

The Company has classified cash and cash equivalents and restricted cash as fair value through profit or loss financial assets. Available-for-sale investments are classified as available for sale. Amounts receivable, and reclamation bonds are classified as loans and receivables. Trade and other payables, and due to related parties are classified as other financial liabilities. Management did not identify any material embedded derivatives, which require separate recognition and measurement.

Disclosures about the inputs to financial instrument fair value measurements are made within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 Inputs that are not based on observable market data

The fair values of the Company's reclamation bonds, amounts receivable, trade and other payables, and due to related parties approximate their carrying value, due to their short-term maturities. The Company's cash and cash equivalents, restricted cash, and available-for-sale investments are measured at fair value using Level 1 inputs.

As at May 31, 2016, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a) 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 and amounts receivable. Cash and cash equivalents are held with large Canadian banks. 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.

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.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Moreover, the Company manages liquidity risk by actively pursuing additional share capital issuances to settle its obligations in the normal course of its operating, investing and financing activities, and through the use of cash proceeds from gold sales (Note 8). As at May 31, 2016, the Company had a cash and cash equivalents balance of $1,857,267 to settle current liabilities of $88,015.

b) 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 price risk: interest rate risk, currency risk, and price 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 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 equivalent balances as at May 31, 2016. The Company manages interest rate risk by maintaining an investment policy for short-term investments included in cash equivalents. This policy focuses primarily on preservation of capital and liquidity. The Company monitors the investments it makes and is satisfied with the credit rating of its banks. 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.

(Expressed in Canadian dollars)

13. COMMITMENTS

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.

Operating Lease Commitment

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:

	May 31, 2016
Short-term portion of the lease (<1 Year)	**$ 11,910**

14. MISCELLANEOUS INCOME

During the three months ended May 31, 2016, the Company received $6,048 (May 31, 2015 - $5,200) in rental income relating to rental of property to a third party.