KLONDIKE GOLD CORP.

Condensed Interim
Consolidated Financial Statements

For The Three and Nine Months Ended
November 30, 2016 and 2015
(Expressed in Canadian Dollars)
(Unaudited)

NOTICE

No Auditor Review of the Interim Financial Statements.

The unaudited condensed interim consolidated financial statements of Klondike Gold Corp. (the “Company”), for the three and nine months ended November 30, 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)

		November 30, 2016		February 29, 2016
Assets				
Current assets				
Cash and cash equivalents	$	1,110,147	$	522,988
Restricted cash (Note 4)		50,000		25,000
Amounts receivable (Note 5)		61,765		14,173
Prepaid expenses and deposits		26,222		76,591
Total current assets		1,248,134		638,752
Investments (Note 6)		402,157		180,065
Reclamation bond		3,500		3,500
Property and equipment (Note 7)		381,705		406,333
Exploration and evaluation assets (Note 8)		11,530,145		8,122,914
Total assets	$	13,565,641	$	9,351,564
Liabilities				
Current liabilities				
Trade and other payables	$	71,117	$	82,063
Due to related parties (Note 9)		-		12,075
		71,117		94,138
Equity				
Share capital (Note 10)		64,397,450		60,136,645
Reserves		5,299,123		4,773,456
Deficit		(56,299,447)		(55,750,073)
Shareholders' equity		13,397,126		9,160,028
Non-controlling interest		97,398		97,398
Total equity		13,494,524		9,257,426
Total liabilities and equity	$	13,565,641	$	9,351,564

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

Approved by the Board of Directors and authorized for issue on January 27, 2017:

"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 and nine months ended November 30, 2016 and 2015
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended November 30, 2016	Three months ended November 30, 2015	Nine months ended November 30, 2016	Nine months ended November 30, 2015
Expenses				
Share-based compensation (Note 10(d))	**$ 68,509**	$ -	**$ 370,595**	$ -
Consulting and wages	**122,003**	92,531	**358,613**	281,772
Office and miscellaneous	**52,614**	19,889	**107,177**	56,368
Depreciation (Note 7)	**17,486**	6,625	**52,457**	20,411
Regulatory and transfer agent	**11,626**	4,283	**45,409**	22,208
Professional fees	**12,430**	(10,702)	**37,929**	31,125
Travel	**4,318**	14,494	**23,327**	31,012
	(288,986)	(127,120)	**(995,507)**	(442,896)
Miscellaneous income (Note 14)	**513**	4,976	**8,759**	87,001
Interest income	**2,210**	208	**5,299**	3,601
Other income - flow-through (Note 10(b))	**28,833**	12,694	**36,436**	40,000
Finance expense	**-**	-	**(263)**	-
Gain (loss) on sale of property (Note 8(b))	**87,000**	-	**392,000**	(5,550)
Gain on sale of equipment	**-**	-	**-**	4,762
Unrealized loss on warrants (Note 6)	**(11,000)**	-	**(11,000)**	-
Gain on sale of available-for-sale investments (Note 6)	**-**	-	**14,902**	23,300
Net loss for the period	**(181,430)**	(109,242)	**(549,374)**	(289,782)
Other comprehensive gain				
Unrealized gain (loss) on available-for-sale investments	**21,658**	(63,977)	**149,198**	(54,480)
Reclassification on sale of available-for-sale investments	**-**	-	**5,874**	(23,300)
Other comprehensive gain (loss)	**21,658**	(63,977)	**155,072**	(77,780)
Loss and comprehensive loss for the period	**(159,772)**	(173,219)	**(394,302)**	(367,562)
Net loss attributable to:				
Shareholders	**$ (181,430)**	$ (109,242)	**$ (549,374)**	$ (289,782)
	$ (181,430)	$ (109,242)	**$ (549,374)**	$ (289,782)
Basic and diluted loss per share	**$ (0.00)**	$ (0.00)	**$ (0.01)**	$ (0.01)
Weighted average number of common shares outstanding	**53,491,589**	33,809,041	**46,746,624**	33,809,041

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
Loss and comprehensive loss for the period	-	-	-	-	(77,780)	(289,782)	(367,562)	-	(367,562)
At November 30, 2015	33,809,041	$ 59,727,143	$ 27,405	$ 4,888,449	$ (130,527)	$ (55,571,988)	$ 8,940,482	$ 97,398	$ 9,037,880
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
Exercise of warrants	1,767,232	338,446	-	-	-	-	338,446	-	338,446
Private placement	7,546,858	1,830,960	-	-	-	-	1,830,960	-	1,830,960
Private placement - flow-through	3,643,585	986,640	-	-	-	-	986,640	-	986,640
Flow-through premium	-	(36,436)	-	-	-	-	(36,436)	-	(36,436)
Shares issued as finders fees	58,571	8,200	-	-	-	-	8,200	-	8,200
Share issue costs	-	(67,005)	-	-	-	-	(67,005)	-	(67,005)
Shares issued on acquisition (Note 8(a))	3,000,000	1,200,000	-	-	-	-	1,200,000	-	1,200,000
Share-based compensation	-	-	-	370,595	-	-	370,595	-	370,595
Loss and comprehensive loss for the period	-	-	-	-	155,072	(549,374)	(394,302)	-	(394,302)
At November 30, 2016	53,990,287	$ 64,397,450	$ 27,405	$ 5,259,044	$ 12,674	$ (56,299,447)	$ 13,397,126	$ 97,398	$ 13,494,524

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, 2016 and 2015
(Expressed in Canadian dollars)
(Unaudited)

	2016	2015
Operating activities		
Net loss for the period	$ (549,374)	$ (289,782)
Items not involving cash:		
Depreciation	52,457	20,411
Share-based compensation	370,595	-
Gain on sale of property	(392,000)	-
Gain on sale of equipment	-	(4,762)
Unrealized loss on warrants	11,000	-
Gain on sale of available-for-sale investments	(14,902)	(23,300)
Other income - flow-through	(36,436)	(40,000)
Changes in non-cash working capital items:		
Amounts receivable	(47,592)	(8,165)
Prepaid expenses and deposits	50,369	69,521
Due to related parties	(12,075)	-
Trade and other payables	(10,946)	7,274
Cash used in operating activities	(578,904)	(268,803)
Financing activities		
Shares issued for cash	2,817,600	-
Shares issue costs	(58,805)	-
Repayment of mortgage	-	(176,000)
Proceeds from exercise of warrants	338,446	-
Cash provided by (used in) financing activities	3,097,241	(176,000)
Investing activities		
Equipment	(27,829)	52,476
Exploration and evaluation asset expenditures	(1,673,231)	(904,812)
Proceeds on gold sales	-	526,994
Acquisition of Gimlex claims	(534,000)	-
Sale of property	50,000	-
Sale of available-for-sale investments	278,882	161,115
Purchase of term deposit	(25,000)	-
Cash used in investing activities	(1,931,178)	(164,227)
Change in cash and cash equivalents during the period	587,159	(609,030)
Cash and cash equivalents, beginning of period	522,988	956,598
Cash and cash equivalents, end of period	$ 1,110,147	$ 347,568
Interest paid	$ -	$ 1,320
Taxes paid	$ -	$ -

Supplemental cash flow information (Note 15)

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. 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 nine months ended November 30, 2016, the Company reported a loss of $549,374 and an accumulated deficit of $56,299,447 at that date. The Company had working capital of $1,177,017 and cash and cash equivalents of $1,110,147 at November 30, 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 nine months ended November 30, 2016, the Company closed non-brokered private placements for total gross proceeds of $986,640 in flow-through shares and $1,830,960 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.

(Expressed in Canadian dollars)

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 %
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.

On September 28, 2015, Lonestar was dissolved and 100% of the claims were transferred to the Company.

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)

3. 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.

4. 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.

5. AMOUNTS RECEIVABLE

Amounts receivable are primarily comprised of input tax credits receivable from the Canadian Government.

6. INVESTMENTS

	As of November 30, 2016		As of February 29, 2016	
	Shares	**Fair Value**	Shares	Fair Value
Rise Resources Inc. shares (Note 8(b))	**1,500,000**	**$ 261,807**	-	$ -
Rise Resources Inc. warrants (Note 8(b))	**1,500,000**	**76,000**	-	-
Medgold Resources Corp.	**-**	**-**	2,373,918	130,565
PJX Resources Inc.	**330,000**	**64,350**	330,000	49,500
		$ 402,157		$ 180,065

During the nine months ended November 30, 2016, the remaining shares of Medgold Resources Corp. with a cost basis of $263,980 were sold for net proceeds of $278,882 resulting in a gain on sale of $14,902.

(Expressed in Canadian dollars)

6. INVESTMENTS (continued)

During the nine months ended November 30, 2016, the Company received 1,500,000 Rise Resource Inc. ("Rise") shares and 1,500,000 Rise warrants, valued at $0.051 per warrant as of November 30, 2016 (Note 8(b)). The warrants were fair valued using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.227; ii) expected share price volatility of 75%; iii) risk-free interest rate of 0.79%; iv) expected life of 1.62 years; v) no dividend yield.

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, November 30, 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	6,375	-	31,832	14,250	52,457
Balance, November 30, 2016	**$ 6,375**	**$ 28,583**	**$ 170,822**	**$ 71,250**	**$ 277,030**

Carrying amount	Vehicles	Computers	Machinery/ Equipment	Building	Total
Balance, February 29, 2016	$ -	$ -	$ 83,333	$ 323,000	$ 406,333
Balance, November 30, 2016	**$ 19,125**	**$ -**	**$ 53,830**	**$ 308,750**	**$ 381,705**

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS

	Placer Claims	Yukon Claims	Total
	$	$	$
Acquisition costs:			
Balance, February 29, 2016	1,167,436	3,118,843	4,286,279
Acquisition of Gimlex claims	-	1,734,000	1,734,000
Balance, November 30, 2016	1,167,436	4,852,843	6,020,279
Exploration costs:			
Balance, February 29, 2016	25,494	4,554,476	4,579,970
Consulting & wages	-	472,426	472,426
Camp supplies	-	88,232	88,232
Fuel	-	56,441	56,441
Lab analysis	-	198,083	198,083
Property maintenance	-	185,969	185,969
Drilling	-	522,134	522,134
Surveying	-	44,068	44,068
Travel	-	105,878	105,878
Balance, November 30, 2016	25,494	6,227,707	6,253,201
Royalty payments received:			
Balance, February 29, 2016 and November 30, 2016	(743,335)	-	(743,335)
Total costs:			
Balance, November 30, 2016	449,595	11,080,550	11,530,145

(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 8)	(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 include a large 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 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 the Company to consolidate ownership of the gold properties in the Yukon.

8. EXPLORATION AND EVALUATION ASSETS (continued)

On September 28, 2015, Lonestar was dissolved and 100% of its claims were transferred to the Company. KSMC has relinquished their 6% ownership of Lonestar.

The Company holds a 100% interest in the Indian River property where it formerly operated 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.

Acquisition of Gimlex claims

On August 8, 2016, the Company entered into a property acquisition agreement (the "Agreement") with Gimlex Enterprises Ltd. ("Gimlex") for the purchase by the Company of a 100% interest in Gimlex's mining claims located in the Dawson mining district, Yukon Territory.

The terms for the Agreement are as follows:

- Payment of $500,000 in cash to Gimlex (completed).
- Issuance to Gimlex of 3,000,000 common shares of the Company. The 3,000,000 common shares were valued at $0.40 per share, being the closing share price of the Company on August 8, 2016, for total consideration of $1,200,000 (Note 15) (completed).
- Granting to Gimlex of a 2% Net Smelter Returns ("NSR") Royalty in respect of the Gimlex property, of which the Company may purchase one-half of the NSR Royalty (being a 1% NSR Royalty) from Gimlex for cash in the amount of $1,500,000 at any time.
- Gimlex shall have the right to nominate one individual for election to the Board of Directors of the Company for so long as Gimlex continues to own, directly or indirectly, more than 5% of the issued and outstanding common shares of the Company.

Transaction costs of $34,000 were incurred by the Company, all of which was capitalized to exploration and evaluation assets.

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 November 30, 2016, the Company has received $743,335 in royalty payments, which are netted against capitalized exploration and evaluation asset costs in the consolidated statement of financial position.

During the nine months ended November 30, 2016, the lease agreement was not renewed and the Assignee removed equipment and completed reclamation of mined areas.

8. EXPLORATION AND EVALUATION ASSETS (continued)

b) British Columbia 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 NSR from minerals produced from its Vine Extension Property, sold to PJX Resources Inc. in 2014.

During the nine months ended November 30, 2016, the Company announced that it had entered into a property purchase agreement (the "PPA") with Rise for the acquisition by Rise of 100% of a portfolio of certain of the Company's B.C. properties.

The terms for the PPA are as follows:

- Payment of $50,000 in cash, 1,500,000 Rise shares, and 1,500,000 Rise warrants, exercisable at a price of $0.227 per share until July 13, 2018 (received). The 1,500,000 shares were valued at $0.17 per share, being the closing share price of Rise on July 18, 2016, and the warrants were valued at $87,000, for total consideration of $392,000. The warrants were fair valued using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.227; ii) expected share price volatility of 75%; iii) risk-free interest rate of 0.79%; iv) expected life of 2 years; v) no dividend yield.

- Payment on July 13, 2017, of $150,000 in cash, 2,000,000 Rise shares and 1,000,000 Rise warrants to purchase 1,000,000 Rise shares for a period of 24 months.

- The Company will retain a 2.0% NSR and Rise will have the right to purchase 50% of this NSR for $1,000,000 at any time.

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.

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., a subsidiary of Medgold Resources Corp., 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.

9. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

a) During the nine months ended November 30, 2016, the Company was charged consulting fees of $103,500 (November 30, 2015 – $103,500) by Atlantic Zinc Resources Ltd. (“Atlantic”), a company owned by the CEO of the Company. As at November 30, 2016, $nil (February 29, 2016 - $12,075) was payable to Atlantic.

b) During the nine months ended November 30, 2016, the Company was charged $160,336 (November 30, 2015 – $90,000) 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.

c) Share-based compensation of $33,602 (November 30, 2015 - $nil) was recorded on stock options granted to Fiore during the nine months ended November 30, 2016.

Key Management Compensation

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

Included in share-based compensation for the nine months ended November 30, 2016, was $307,033 for stock options granted to directors and officers of the Company (November 30, 2015 - $nil).

10. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value.

b) During the nine months ended November 30, 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 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.

   A flow-through premium liability of $7,603 was allocated to the flow-through portion of the above mentioned non-brokered private placement closed during the nine months ended November 30, 2016, based on the difference between the issuance price and the market price of the Company’s shares. During the nine months ended November 30, 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 nine months ended November 30, 2016, as other income - flow-through.

10. SHARE CAPITAL (continued)

During the nine months ended November 30, 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 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.

During the nine months ended November 30, 2016, the Company closed a non-brokered private placement of 2,883,335 flow-through units at a price of $0.30 per unit for gross proceeds of $865,000 and 840,001 non flow-through units at a price of $0.30 per unit for gross proceeds of $252,000. Each flow-through unit consists of one common share and one-half of a warrant. Each non flow-through unit consists of one common share and one-half of a warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $0.35 per common share until March 13, 2019.

A flow-through premium liability of $28,833 was allocated to the flow-through portion of the above mentioned non-brokered private placement closed during the nine months ended November 30, 2016, based on the difference between the issuance price and the market price of the Company's shares. During the nine months ended November 30, 2016, the Company incurred eligible expenditures in excess of $865,000 and thus the flow-through premium was fully amortized to the statement of loss and comprehensive loss for the nine months ended November 30, 2016, as other income - flow-through.

Cash transaction costs of $58,805 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 non-brokered private placements closed during the nine months ended November 30, 2016.

During the year ended February 29, 2016, 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 warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.15 per common share until December 23, 2017.

The Company uses the residual value method to value warrants associated with unit financings. As the non-brokered private placements which closed during the nine months ended November 30, 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.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

c) A summary of the changes in warrants follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, February 28, 2015	13,011,015	$ 0.38
Expired	(293,750)	2.00
Balance, November 30, 2015	12,717,265	0.34
Issued	3,415,000	0.15
Balance, February 29, 2016	16,132,265	0.30
Issued	6,627,094	0.26
Exercised	(1,767,232)	0.19
Expired	(60,000)	1.20
Balance, November 30, 2016	20,932,127	$ 0.30

As at November 30, 2016, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
2,155,788	1.00	January 18, 2017
8,100,850	0.20	November 17, 2017
933,395	0.20	December 15, 2017
3,115,000	0.15	December 23, 2017
2,000,000	0.35	November 30, 2018
1,861,666	0.35	March 13, 2019
2,765,428	0.20	April 4, 2019
20,932,127		

During the nine months ended November 30, 2016, 1,767,232 warrants were exercised for gross proceeds of $338,446.

Subsequent to November 30, 2016, 2,155,788 warrants with an exercise price of $1.00 expired.

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 stock 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. Stock options granted to consultants performing Investor Relations Activities shall vest over a minimum of 12 months with no more than 1/4 of such stock options vesting in any three month period. All other stock 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	2,135,000	0.24
Balance, November 30, 2016	4,985,000	$ 0.17

During the nine months ended November 30, 2016, 1,025,000 incentive stock options were granted to directors, officers, employees, charities, and consultants of the Company. The stock 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) expected life of 10 years; v) no dividend yield. All of these stock options vested immediately.

During the nine months ended November 30, 2016, 710,000 incentive stock options were granted to directors, officers, employees, and consultants of the Company. The stock options are exercisable at a price of $0.28 per share until June 21, 2026. The fair value of the stock options was estimated on the date of grant in the amount of $154,249 using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.28; ii) expected share price volatility of 75%; iii) risk-free interest rate of 1.00%; iv) expected life of 10 years; v) no dividend yield. All of these stock options vested immediately.

During the nine months ended November 30, 2016, 400,000 incentive stock options were granted to a director of the Company. The stock options are exercisable at a price of $0.30 per share until September 13, 2026. The fair value of the stock options was estimated on the date of grant in the amount of $68,509 using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.30; ii) expected share price volatility of 75%; iii) risk-free interest rate of 1.03%; iv) expected life of 10 years; v) no dividend yield. All of these stock options vested immediately.

Subsequent to November 30, 2016, 150,000 incentive stock options were granted to an officer of the Company. The stock options are exercisable at a price of $0.17 per share until January 19, 2027.

The following summarizes stock options outstanding and exercisable as at November 30, 2016:

Number of Options Oustanding and Exercisable	Exercise Price	Expiry Date
2,850,000	$0.12	December 16, 2024
1,025,000	0.19	April 19, 2026
710,000	0.28	June 21, 2026
400,000	0.30	September 13, 2026
4,985,000		

10. SHARE CAPITAL (continued)

e) Flow-through expenditure commitments

As at November 30, 2016, $121,640 of flow-through funds have been spent pursuant to the related flow-through financing completed during the nine months ended November 30, 2016, and as such the Company has met its flow-through commitment in full.

As at November 30, 2016, $865,000 of flow-through funds have been spent pursuant to the related flow-through financing completed during the nine months ended November 30, 2016, and as such the Company has met its flow-through commitment in full.

As at November 30, 2016, $75,000 of flow-through funds have been spent pursuant to the related flow-through financing completed during the year ended February 29, 2016, and as such the Company has met its flow-through commitment in full.

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.

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 nine months ended November 30, 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 unaudited condensed interim 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, 2016, the classification of the financial instruments, as well as their carrying values and fair values, are shown in the table below:

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	Held for trading	Loans and Receivables Amortized Cost	Available-for-sale	Total Carrying Value	Fair value
Financial assets	$	$	$	$	$
Cash and cash equivalents	1,110,147	-	-	1,110,147	1,110,147
Restricted cash	50,000	-	-	50,000	50,000
Amounts receivable	-	61,765	-	61,765	61,765
Investments	76,000	-	326,157	402,157	402,157
Reclamation bond	-	3,500	-	3,500	3,500
	1,236,147	65,265	326,157	1,627,569	1,627,569
Financial liabilities	$	$	$	$	$
Trade and other payables	-	(71,117)	-	(71,117)	(71,117)
	-	(71,117)	-	(71,117)	(71,117)

Financial Instrument Classifications

The Company has classified cash and cash equivalents, restricted cash, and warrants 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. The Rise warrants, included in investments, are measured at fair value using Level 3 inputs (Note 6).

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

As at November 30, 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.

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. As at November 30, 2016, the Company had cash and cash equivalents of $1,110,147 (February 29, 2016 - $522,988) to settle current liabilities of $71,117 (February 29, 2016 - $94,138).

c) 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 November 30, 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.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

ii) Foreign currency risk

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

iii) Price Risk

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

Market prices for metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk, as the nature of Company's business is in exploration.

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

13. COMMITMENTS

Subsequent to November 30, 2016, the Company entered into an agreement to lease office premises with a lease term expiring February 29, 2020, at an approximate monthly cost of $12,000.

14. MISCELLANEOUS INCOME

During the nine months ended November 30, 2016, the Company received $8,759 (November 30, 2015 - $87,001) in rental income relating to rental of property to a third party.

15. SUPPLEMENTAL CASH FLOW INFORMATION

During the nine months ended November 30, 2016, the Company issued 3,000,000 common shares pursuant to the Agreement at a price of $0.40 per share for total consideration of $1,200,000 (Note 8(a)).

During the nine months ended November 30, 2016, the Company received 1,500,000 Rise common shares at a price of $0.17 per share and 1,500,000 Rise warrants, valued at $0.058 per warrant, for total non-cash consideration of $342,000 (Note 8(b)).