KLONDIKE GOLD CORP.

Consolidated Financial Statements

For The Years Ended
February 28, 2017 and February 29, 2016
(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Klondike Gold Corp.

We have audited the accompanying consolidated financial statements of Klondike Gold Corp., which comprise the consolidated statements of financial position as at February 28, 2017 and February 29, 2016 and the consolidated statements of net loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Klondike Gold Corp. as at February 28, 2017 and February 29, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

June 26, 2017

A member of Nexia International

KLONDIKE GOLD CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	February 28, 2017	February 29, 2016
Assets		
Current assets		
Cash and cash equivalents	**$ 990,492**	$ 522,988
Restricted cash (Note 5)	**50,000**	25,000
Amounts receivable	**70,950**	14,173
Prepaid expenses and deposits	**42,196**	76,591
Total current assets	**1,153,638**	638,752
Investments (Note 6)	**426,022**	180,065
Reclamation bond	**3,500**	3,500
Property and equipment (Note 7)	**364,219**	406,333
Exploration and evaluation assets (Note 8)	**11,614,859**	8,122,914
Total assets	**$ 13,562,238**	$ 9,351,564
Liabilities		
Current liabilities		
Trade and other payables	**$ 221,788**	$ 82,063
Due to related parties (Note 9)	**-**	12,075
	221,788	94,138
Equity		
Share capital (Note 10)	**64,450,656**	60,136,645
Reserves (Note 10)	**5,370,970**	4,773,456
Deficit	**(56,481,176)**	(55,750,073)
Shareholders' equity	**13,340,450**	9,160,028
Non-controlling interest (Note 4)	**-**	97,398
Total equity	**13,340,450**	9,257,426
Total liabilities and equity	**$ 13,562,238**	$ 9,351,564

Nature of operations (Note 1)
Subsequent events (Notes 6,10)
Commitment (Note 13)

Approved by the Board of Directors and authorized for issue on June 26, 2017:

"Peter Tallman" Director

"Gordon Keep" Director

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

KLONDIKE GOLD CORP.

CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
For the years ended February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

	2017	2016
Expenses		
Consulting	**$ 291,535**	$ 254,360
Depreciation (Note 7)	**69,943**	62,986
Foreign exchange gain	**-**	(1,133)
Management fees and wages	**181,417**	134,527
Office and miscellaneous	**150,188**	74,097
Professional fees	**67,371**	69,286
Regulatory and transfer agent	**51,321**	27,876
Share-based compensation (Note 10(d))	**411,996**	-
Travel	**31,806**	34,224
	(1,255,577)	(656,223)
Finance expense	**(263)**	(9,195)
Gain on sale of available-for-sale investments (Note 6)	**37,997**	23,300
Gain on sale of equipment	**-**	48,309
Gain on sale of exploration and evaluation assets (Note 8(b))	**392,000**	-
Interest income	**5,857**	4,199
Miscellaneous income (Note 14)	**6,259**	81,743
Other income - flow-through (Note 10(b))	**36,436**	40,000
Unrealized gain on warrants (Note 6)	**17,000**	-
Net loss for the year	**(760,291)**	(467,867)
Other comprehensive income (loss)		
Unrealized income (loss) on available-for-sale investments	**204,147**	(87,718)
Reclassification on sale of available-for-sale investments	**(4,400)**	(1,933)
Other comprehensive income (loss)	**199,747**	(89,651)
Net loss and comprehensive loss for the year	**(560,544)**	(557,518)
Basic and diluted loss per share	**$ (0.02)**	$ (0.01)
Weighted average number of common shares outstanding	**48,544,861**	34,585,211

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

KLONDIKE GOLD CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	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
Private placement	3,415,000	341,500	-	-	-	-	341,500	-	341,500
Private placement - flow-through	750,000	75,000	-	-	-	-	75,000	-	75,000
Share issuance costs	-	(6,998)	-	-	-	-	(6,998)	-	(6,998)
Net loss and comprehensive loss	-	-	-	-	(89,651)	(467,867)	(557,518)	-	(557,518)
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
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
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
Share issuance costs	58,571	(73,542)	-	-	-	-	(73,542)	-	(73,542)
Flow-through premium	-	(36,436)	-	-	-	-	(36,436)	-	(36,436)
Share-based compensation	-	-	-	411,996	-	-	411,996	-	411,996
Exercise of stock options	150,000	32,229	-	(14,229)	-	-	18,000	-	18,000
Exercise of warrants	1,945,803	374,160	-	-	-	-	374,160	-	374,160
Shares issued for the acquisition of exploration and evaluation assets	3,000,000	1,200,000	-	-	-	-	1,200,000	-	1,200,000
Klondike Star share purchase acquisition	-	-	-	-	-	29,188	29,188	(97,398)	(68,210)
Net loss and comprehensive loss	-	-	-	-	199,747	(760,291)	(560,544)	-	(560,544)
At February 28, 2017	54,318,858	$ 64,450,656	$ 27,405	$ 5,286,216	$ 57,349	$ (56,481,176)	$ 13,340,450	$ -	$ 13,340,450

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

KLONDIKE GOLD CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

	2017	2016
Operating activities		
Net loss for the year	**$ (760,291)**	$ (467,867)
Items not involving cash:		
Depreciation	**69,943**	62,986
Share-based compensation	**411,996**	-
Gain on sale of exploration and evaluation asset	**(392,000)**	-
Gain on sale of equipment	**-**	(48,309)
Unrealized gain on warrants	**(17,000)**	-
Gain on sale of available-for-sale investments	**(37,997)**	(23,300)
Other income - flow-through	**(36,436)**	(40,000)
Changes in non-cash working capital items:		
Amounts receivable	**(56,777)**	27,437
Prepaid expenses and deposits	**34,395**	14,526
Due to related parties	**(12,075)**	-
Trade and other payables	**32,925**	7,527
Cash used in operating activities	**(763,317)**	(467,000)
Financing activities		
Proceeds on issuance of common shares, net of share issuance	**2,744,059**	409,502
Repayment of mortgage	**-**	(176,000)
Proceeds from exercise of options	**18,000**	-
Proceeds from exercise of warrants	**374,160**	-
Cash provided by financing activities	**3,136,219**	233,502
Investing activities		
Equipment sale (purchase)	**(27,829)**	52,476
Exploration and evaluation asset expenditures	**(1,719,356)**	(925,697)
Proceeds on gold sales	**-**	526,994
Acquisition of Gimlex claims	**(534,000)**	-
Sale of exploration and evaluation assets	**50,000**	-
Sale of available-for-sale investments	**350,787**	161,115
Restricted cash	**(25,000)**	(15,000)
Cash used in investing activities	**(1,905,398)**	(200,112)
Change in cash and cash equivalents during the year	**467,504**	(433,610)
Cash and cash equivalents, beginning of year	**522,988**	956,598
Cash and cash equivalents, end of year	**$ 990,492**	$ 522,988
Cash and cash equivalents is comprised of:		
Cash	**$ 425,492**	$ 122,988
Term deposits	**565,000**	400,000
	$ 990,492	$ 522,988
Interest paid	**$ -**	$ 1,320
Taxes paid	**$ -**	$ -

Supplemental cash flow information (Note 17)

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

1. NATURE OF OPERATIONS

Klondike Gold Corp. ("Klondike Gold Corp." or 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.

For the year ended February 28, 2017, the Company reported a loss of $760,291 and an accumulated deficit of $56,481,176 at that date. The Company had working capital of $931,850 and cash and cash equivalents of $990,492 at February 28, 2017.

During the year ended February 28, 2017, the Company closed private placements for gross proceeds of $986,640 in flow-through shares and $1,830,960 in non flow-through units (Note 10). Although the Company presently has sufficient financial resources to cover its existing obligations and operating costs and undertake its currently planned programs for the next year, the Company expects to require further funding in the longer term to fund ongoing exploration and evaluation activities.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of Measurement

These consolidated 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 financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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 translated using the exchange rate as at the date of the initial transaction.

2. BASIS OF PRESENTATION (continued)

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.

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

During the year ended February 29, 2016, the Company's subsidiary Lonestar Gold Inc. was dissolved, while 46799 Yukon Inc. and KG46 Holdings and Klondike Gold Corp. were amalgamated as one entity.

During the year ended February 28, 2017, Klondike Star Mineral Corp. ("Klondike Star") and Klondike Gold Corp. were amalgamated as one entity (Note 4).

e) Financial Instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

2. BASIS OF PRESENTATION (continued)

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term.

They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category comprises liablities that are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

f) Comprehensive Income (Loss)

Other comprehensive income (loss) represents the change in net equity for the period that arises from unrealized gains and losses on available-for-sale financial instruments. Amounts included in other comprehensive income (loss) are shown net of tax. Cumulative changes in other comprehensive income (loss) are included in accumulated other comprehensive income (loss) which is presented as a category in equity.

g) Cash and Cash Equivalents

Cash consists of balances with banks, and cash equivalents consist of term deposits with maturities within three months from the date of issue, or that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company places its cash and cash equivalents with institutions of high credit worthiness.

2. BASIS OF PRESENTATION (continued)

h) Exploration and Evaluation Assets

Exploration and evaluation assets include the costs of acquiring licenses, and costs associated with exploration and evaluation activity. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Proceeds received from the sale of gold from the Company's Placer claims in the Yukon (Note 8), are recorded as a reduction to the carrying value of exploration and evaluation assets as this activity is pertinent to the exploration and evaluation process. When the proceeds exceed the carrying value, the excess is recorded in profit or loss in the period the excess is received.

Exploration and evaluation assets are assessed for impairment if (i) insufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

It is management's judgement that none of the Company's exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets. Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company is not aware of any disputed claims of title.

2. BASIS OF PRESENTATION (continued)

i) Property and Equipment

Property and equipment assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Depreciation is recorded at the following rates:

Vehicles	3 years straight line basis
Office equipment and computers	3 years straight line basis
Mining equipment and machinery	3-5 years straight line basis
Building	20 years straight line basis

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

j) Impairment of Non-Financial Assets

Impairment tests on non-financial assets, including exploration and evaluation assets are performed whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

The impairment test is carried out at the cash-generating unit level, which is the smallest identifiable group of assets for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. Each of the Company's exploration and evaluation properties is considered to be a cash-generating unit for which impairment testing is performed.

An impairment loss is recognized in profit or loss. An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. The Company's exploration and evaluation asset policy in Note 2(h) above specifically discusses impairment factors.

k) Decommissioning Liabilities

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

2. BASIS OF PRESENTATION (continued)

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets.

Discount rates, using a pre-tax rate that reflects the time value of money, are used to calculate the present value. Over time, the discounted liability is increased for the changes in present value based on current market discount rates, and may change due to the amount or timing of the underlying cash flows needed to settle the obligation.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

At February 28, 2017 and February 29, 2016, the Company did not incur any such obligations.

l) Share Capital

i) Non-monetary consideration

Agent's warrants, stock options and other equity instruments issued as purchase consideration in non-monetary transactions other than as consideration for exploration and evaluation assets are recorded at fair value as determined by management. Proceeds from unit placements are allocated between shares and warrants using the residual value method, which allocates value first to the fair value of the common shares and the balance, if any, is allocated to the attached warrants.

ii) Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Where the flow-through common share is issued as part of a unit, the value is first allocated between common share and the warrant, and then bifurcated for any flow-through premium.

As qualified expenses are incurred the Company relieves the liability and recognizes the premium in profit or loss as other income.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds, renounced under the look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

iii) Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee

2. BASIS OF PRESENTATION (continued)

when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

iv) Share issuance costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as deferred financing costs. Share issuance costs related to uncompleted share subscriptions are charged to profit or loss.

m) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. BASIS OF PRESENTATION (continued)

n) Loss Per Share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated using the treasury stock method. The weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. Basic and diluted loss per share is equal as outstanding stock options and warrants were all anti-dilutive.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Share-based compensation

Management is required to make certain estimates when determining the fair value of stock option awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in profit or loss. For the year ended February 28, 2017, the Company recognized $411,996 in share-based compensation expense (February 29, 2016: $nil).

Critical accounting judgments

In the preparation of these consolidated financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the consolidated financial statements.

Mineral properties under exploration

The carrying amount of the Company's exploration and evaluation asset properties does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Mineral properties under exploration (continued)

reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

Income taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

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 16 - Leases applies to lessees, requiring the recognition of assets and liabilities for most leases and eliminates the distinction between operating and financing leases, effective for annual periods beginning on or after January 1, 2019.

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.

(Expressed in Canadian dollars)

4. KLONDIKE STAR ACQUISITION

Pursuant to a December 2016 merger agreement between the Company and Klondike Star, formerly a subsidiary of the Company, each remaining issued and outstanding share of Klondike Star's common stock (being 19,488,640), will be automatically converted in to the right to receive either i) 0.025 shares of common stock of Klondike Gold, or ii) $0.0035 per share of Klondike Star in cash. The former shareholders of Klondike Star have three years from the date of the merger to tender the necessary documentation to convert their shareholdings.

As a result of the above merger, the Company has accrued in trade and other payables a liability of $68,210, being $0.0035 times the total number of Klondike Star shares held by former shareholders. As the necessary documentation is received, the Company will settle its obligation with cash or shares as applicable and draw down this liability.

This value represents the cost of the Company to acquire the remaining non-controlling interest in Klondike Star, which had a balance of $97,398 immediately prior to this merger. The excess value of the non-controlling interest of $29,188 has been charged to deficit.

5. RESTRICTED CASH

The Company maintains one-year term deposits, which automatically renew at maturity, as collateral for the credit cards, of $10,000 (February 29, 2016 - $10,000), $15,000 (February 29, 2016 - $15,000), and $25,000 (February 29, 2016 - $nil) earning interest at an annual rate of 0.50% with maturity dates of February 21, 2018, February 28, 2018, and May 26, 2017, respectively. The Company has the ability to cancel its credit cards and receive the term deposits in full.

6. INVESTMENTS

	As of February 28, 2017		As of February 29, 2016	
	Shares	**Fair Value**	Shares	Fair Value
Rise Gold Corp shares (Note 8(b)) (1)	**1,357,000**	**$ 291,797**	-	$ -
Rise Gold Corp warrants (Note 8(b))	**1,500,000**	**104,000**	-	-
Medgold Resources Corp. (2)	**-**	**-**	2,373,918	130,565
PJX Resources Inc. (3)	**155,000**	**30,225**	330,000	49,500
		$ 426,022		$ 180,065

(1) During the year ended February 28, 2017, 143,000 shares of Rise Gold Corp (formerly Rise Resources Inc.) ("Rise") with a cost basis of $24,310 were sold for net proceeds of $33,805 resulting in a gain on sale of $9,495.

(2) During the year ended February 28, 2017, 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.

(3) During the year ended February 28, 2017, 175,000 shares of PJX Resources Inc. ("PJX") with a cost basis of $24,500 were sold for net proceeds of $38,100 resulting in a gain on sale of $13,600.

During the year ended February 28, 2017, the Company received 1,500,000 Rise shares and 1,500,000 Rise warrants, exercisable at a price of $0.227 per share until July 13, 2018. The fair value of the warrants on receipt was $87,000, or $0.058 per warrant (Note 8(b)). The fair value of the warrants as of February 28, 2017, was $104,000, or $0.07 per warrant.

(Expressed in Canadian dollars)

6. INVESTMENTS (continued)

The warrants were fair valued using the Black-Scholes valuation model with the following assumptions:

	2017
Risk-free interest rate	0.49%
Expected life	1.37 years - 2 years
Annualized volatility	75.00%
Dividend rate	0.00%

Subsequent to February 28, 2017, the remaining shares of Rise were sold for net proceeds of $321,762.

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, February 28, 2017	**$ 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	8,500	-	42,443	19,000	69,943
Balance, February 28, 2017	**$ 8,500**	**$ 28,583**	**$ 181,433**	**$ 76,000**	**$ 294,516**

Carrying amount	Vehicles	Computers	Machinery/ Equipment	Building	Total
Balance, February 29, 2016	$ -	$ -	$ 83,333	$ 323,000	$ 406,333
Balance, February 28, 2017	**$ 17,000**	**$ -**	**$ 43,219**	**$ 304,000**	**$ 364,219**

During the year ended February 29, 2016, the Company sold equipment with a net book carrying value of $4,167 for gross proceeds of $52,476 resulting in a gain on sale of equipment of $48,309.

(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, February 28, 2017	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	-	504,402	504,402
Camp supplies	-	88,917	88,917
Fuel	-	60,251	60,251
Lab analysis	-	228,727	228,727
Property maintenance	-	202,424	202,424
Drilling	-	522,464	522,464
Surveying	-	44,068	44,068
Travel	-	106,692	106,692
Balance, February 28, 2017	25,494	6,312,421	6,337,915
Royalty payments received:			
Balance, February 29, 2016 and February 28, 2017	(743,335)	-	(743,335)
Total costs:			
Balance, February 28, 2017	449,595	11,165,264	11,614,859

(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	(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 and Placer Claims

These claims include a large contiguous group of claims acquired by staking and option agreements, which include both the quartz and placer claims, which the Company considers to be one cash-generating unit.

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

Acquisition of Gimlex claims

In August, 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.

8. EXPLORATION AND EVALUATION ASSETS (continued)

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 (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.

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

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

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.

As of February 28, 2017, the Company has received $743,335 in royalty payments, pursuant to a lease agreement not renewed in the year, which are netted against capitalized exploration and evaluation asset costs. The assignee removed equipment and completed reclamation of mined areas.

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

During the year ended February 28, 2017, 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, warrants valued at $87,000, and combined with the cash payment equaled 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 0.49%; iv) expected life of 2 years; v) no dividend yield.

8. EXPLORATION AND EVALUATION ASSETS (continued)

- Payment in July, 2017, of $150,000 in cash, 2,000,000 Rise shares and 1,000,000 Rise warrants to purchase 1,000,000 Rise shares until July 2019.

- 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.

The Company and Rise are in discussion regarding the upcoming payment and payments made to date.

b) Net Smelter Returns

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.

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.

a) During the year ended February 28, 2017, the Company was charged management fees of $138,000 (February 29, 2016 – $138,000) by a company owned by the CEO of the Company. Of this amount, $71,875 (2016 - $71,875) was included in additions to exploration and evaluation assets. As at February 28, 2017, $nil (February 29, 2016 - $12,075) was payable to this Company.

b) During the year ended February 28, 2017, the Company was charged $156,336 (February 29, 2016 – $124,165), $28,706 (2016 - $4,165) of which was share issue costs, by a company whose CEO is a director of the Company, for corporate administration services included in consulting.

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.

9. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Included in share-based compensation for the year ended February 28, 2017, was $360,435 for vested stock options granted to directors and officers of the Company, and affiliated companies of directors and officers (February 29, 2016 - $nil).

10. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value.

b) *Issued during the year ended February 28, 2017*

The Company closed a private placement of 760,250 flow-through shares at a price of $0.16 per share for proceeds of $121,640 and 2,706,857 non flow-through units at a price of $0.14 per unit for 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 obligation of this private placement. During the year ended February 28, 2017, the Company incurred eligible expenditures of $121,640 and thus the flow-through premium was fully amortized to profit or loss for the year ended February 28, 2017, as other income - flow-through.

The Company closed a private placement of 4,000,000 non flow-through units at a price of $0.30 per unit for 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.

The Company closed a private placement of 2,883,335 flow-through units at a price of $0.30 per unit for proceeds of $865,000 and 840,001 non flow-through units at a price of $0.30 per unit for 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 obligation of this private placement. During the year ended February 28, 2017, the Company incurred eligible expenditures of $865,000 and thus the flow-through premium was fully amortized to the statement of loss and comprehensive loss for the year ended February 28, 2017, as other income - flow-through.

Cash transaction costs of $73,542 were incurred as share issuance costs and 58,571 non flow-through units with a value of $0.14 were issued as finders fees in relation to the private placements closed during the year ended February 28, 2017.

Subsequent to February 28, 2017, the Company closed a private placement of 10,000,000 flow-through units at a price of $0.20 per unit for gross proceeds of $2,000,000. Each 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 $0.30 per common share until April 4, 2020.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

Issued during the year ended February 29, 2016

The Company closed a private placement of 750,000 flow-through shares at a price of $0.10 per share for gross proceeds of $75,000, and 3,415,000 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.

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
Issued	3,415,000		0.15
Balance, February 29, 2016	16,132,265		0.30
Issued	6,627,094		0.23
Exercised	(1,945,803)		0.19
Expired	(2,215,788)		1.01
Balance, February 28, 2017	18,597,768	$	0.22

As at February 28, 2017, the following warrants were outstanding:

Number of Warrants		Exercise Price	Expiry Date
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
2,586,857		0.20	April 4, 2019
18,597,768			

During the year ended February 28, 2017, 1,945,803 warrants were exercised for proceeds of $374,160.

Subsequent to February 28, 2017, 1,200,000 warrants with an exercise price of $0.15 and 703,450 warrants with an exercise price of $0.20 were exercised for proceeds of $320,690.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

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.

	Number of Options		Weighted Average Exercise Price
Balance, February 28, 2015 and February 29, 2016	2,850,000	$	0.12
Granted	2,435,000		0.24
Exercised	(150,000)		0.12
Balance, February 28, 2017	5,135,000	$	0.17

Granted during the year ended February 28, 2017

1,025,000 incentive stock options to directors, officers, employees, charities, and consultants of the Company, with an exercise price of $0.19 per share until April 19, 2026. Using the Black-Scholes valuation model, the grant date fair value was determined to be $0.14 per option.

710,000 incentive stock options were granted to directors, officers, employees, and consultants of the Company, with an exercise price of $0.28 per share until June 21, 2026. Using the Black-Scholes valuation model, the grant date fair value was determined to be $0.22 per option.

400,000 incentive stock options were granted to a director of the Company, with an exercise price of $0.30 per share until September 13, 2026. Using the Black-Scholes valuation model, the grant date fair value was determined to be $0.17 per option.

150,000 incentive stock options were granted to an officer of the Company, with an exercise price of $0.17 per share until January 19, 2027. Using the Black-Scholes valuation model, the grant date fair value was determined to be $0.13 per option.

150,000 incentive stock options were granted to a consultant of the Company, with an exercise price of $0.17 per share until February 2, 2027. Using the Black-Scholes valuation model, the grant date fair value was determined to be $0.14 per option.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

The stock options were fair valued using the Black-Scholes valuation model with the following assumptions:

	2017
Risk-free interest rate	1.00% - 1.59%
Expected life	10 years
Annualized volatility	75.00%
Dividend rate	0.00%

The following summarizes stock options outstanding and exercisable as at February 28, 2017:

Number of Options	Exercise Price	Expiry Date
150,000	$ 0.19	January 4, 2018
25,000	0.28	January 4, 2018
2,700,000	0.12	December 16, 2024
875,000	0.19	April 19, 2026
685,000	0.28	June 21, 2026
400,000	0.30	September 13, 2026
150,000	0.17	January 19, 2027
150,000	0.19	February 2, 2027
5,135,000		

Subsequent to February 28, 2017, 1,400,000 incentive stock options were granted to directors, officers, employees, and consultants of the Company, with an exercise price of $0.26 per share until April 4, 2027.

Subsequent to February 28, 2017, 150,000 stock options with an exercise price of $0.19 and 750,000 stock options with an exercise price of $0.12 were exercised for gross proceeds of $118,500.

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.

11. MANAGEMENT OF CAPITAL (continued)

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 year ended February 28, 2017.

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.

Financial Instrument Classifications

The Company has classified cash and cash equivalents, restricted cash, and warrants as fair value through profit or loss financial assets. Common shares of publicly traded companies included in 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.

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 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).

As at February 28, 2017, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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, restricted cash and amounts receivable. Cash and cash equivalents, and restricted cash 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 February 28, 2017, the Company had cash and cash equivalents of $990,492 to settle current liabilities of $221,788.

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, and restricted cash in bank accounts that earn variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values of the Company's cash and cash equivalent, and restricted cash balances as at February 28, 2017. 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.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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. In addition, the Company's investments which comprise publicly traded equity securities and warrants exercisable into common shares of a public company, are subject to price risk.

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

During the year ended February 28, 2017, 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 year ended February 28, 2017, the Company received $8,759 (February 29, 2016 - $81,743) in rental income relating to rental of property to a third party.

15. COMPARATIVE FIGURES

Certain comparative data have been reclassified to conform with the presentation of the current year. The Company has grouped together the comparative balances for certain expenses on the statement of net loss and comprehensive loss. There is no net impact on the financial position, net loss and comprehensive loss, cash flows or loss per share in fiscal 2016 as a result of these reclassifications.

(Expressed in Canadian dollars)

16. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2017		2016
Net loss for the year	$	(760,291)	$	(467,867)
Income tax recovery at statutory rates	$	(198,000)	$	(122,000)
Effect of change in tax rates, other, change in estimate		267,000		(272,000)
Permanent difference		91,000		(12,000)
Flow-through renunciations		257,000		20,000
Share issue cost		(19,000)		(2,000)
Change in unrecognized deductible temporary differences		(398,000)		388,000
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2017	Expiry Date Range	2016
Temporary Differences			
Marketable Securities	(174,000)	No expiry date	170,000
Capital assets	836,000	No expiry date	792,000
Non-capital loss carry forwards	10,455,000	2026 to 2037	10,544,000
Capital loss carry forwards	2,685,000	No expiry date	2,692,000
Resource deductions	3,028,000	No expiry date	7,196,000
Investment tax credit	-	NA	107,000
Share issue costs	102,000	2037 to 2041	69,000
Canadian eligible capital (CEC)	39,000	No expiry date	82,000

17. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended February 28, 2017, the Company had the following non-cash investing and financing transactions:

- Issued 3,000,000 common shares pursuant to the Gimlex Agreement at a price of $0.40 per share for total consideration of $1,200,000 (Note 8(a)).

- Accrued $68,210 related to the obligation to acquire the remaining interest in Klondike Star (Note 4).

- Incurred exploration and evaluation assets expenses of $38,589 and share issue costs of $14,736 through trade and other payables.

- There were no non-cash investing or financing transactions during the year ended February 29, 2016.