



# **KLONDIKE GOLD CORP.**

**Condensed Interim  
Consolidated Financial Statements**

***For The Three and Nine Months Ended  
November 30, 2017 and 2016  
(Expressed in Canadian Dollars)  
(Unaudited)***

## **NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited condensed interim consolidated financial statements of Klondike Gold Corp. (“Klondike Gold Corp.” or the “Company”) have been prepared by and are the responsibility of the Company’s management.

In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these condensed interim consolidated financial statements.

# KLONDIKE GOLD CORP.

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

	November 30, 2017	February 28, 2017
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 6,739,884	\$ 990,492
Restricted cash (Note 5)	50,000	50,000
Amounts receivable	76,504	70,950
Prepaid expenses and deposits	85,727	42,196
<b>Total current assets</b>	<b>6,952,115</b>	<b>1,153,638</b>
Investments (Note 6)	-	426,022
Reclamation bond	3,500	3,500
Property and equipment (Note 7)	342,595	364,219
Exploration and evaluation assets (Note 8)	14,753,082	11,614,859
<b>Total assets</b>	<b>\$ 22,051,292</b>	<b>\$ 13,562,238</b>
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	\$ 241,772	\$ 221,788
Flow-through premium (Note 10(b))	103,043	-
	<b>344,815</b>	<b>221,788</b>
<b>Equity</b>		
Share capital (Note 10)	74,049,386	64,450,656
Reserves (Note 10)	5,649,964	5,370,970
Deficit	(57,992,873)	(56,481,176)
<b>Shareholders' equity</b>	<b>21,706,477</b>	<b>13,340,450</b>
<b>Total equity</b>	<b>21,706,477</b>	<b>13,340,450</b>
<b>Total liabilities and equity</b>	<b>\$ 22,051,292</b>	<b>\$ 13,562,238</b>

Nature of operations (Note 1)  
Subsequent events (Notes 4, 10)  
Commitment (Note 13)

Approved by the Board of Directors and authorized for issue on January 26, 2018:

"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, 2017 and 2016 (Expressed in Canadian dollars) (Unaudited)

	Three months ended November 30,		Nine months ended November 30,	
	2017	2016	2017	2016
<b>Expenses</b>				
Consulting	\$ 95,958	\$ 84,785	\$ 238,947	\$ 217,563
Depreciation (Note 7)	20,861	17,486	62,124	52,457
Management fees and wages	221,259	37,218	449,461	141,050
Marketing	19,215	-	375,940	-
Office and miscellaneous	47,018	52,614	150,047	107,440
Professional fees	15,798	12,430	37,770	37,929
Regulatory and transfer agent	23,891	11,626	55,222	45,409
Share-based compensation (Note 10(d))	-	68,509	283,910	370,595
Travel	33,372	4,318	58,989	23,327
	(477,372)	(288,986)	(1,712,410)	(995,770)
Gain on sale of available-for-sale investments (Note 6)	-	-	96,820	14,902
Gain on sale of property	-	87,000	-	392,000
Interest income	25,721	2,210	39,185	5,299
Miscellaneous income (Note 14)	-	513	27,000	8,759
Other income - flow-through (Note 10(b))	54,303	28,833	141,708	36,436
Unrealized loss on warrants (Note 6)	-	(11,000)	(104,000)	(11,000)
<b>Net loss for the period</b>	<b>(397,348)</b>	<b>(181,430)</b>	<b>(1,511,697)</b>	<b>(549,374)</b>
<b>Other comprehensive income (loss)</b>				
Unrealized income on available-for-sale investments	-	21,658	-	149,198
Reclassification on sale of available-for-sale investments	-	-	(69,632)	5,874
Other comprehensive income (loss)	-	21,658	(69,632)	155,072
<b>Net loss and comprehensive loss for the period</b>	<b>(397,348)</b>	<b>(159,772)</b>	<b>(1,581,329)</b>	<b>(394,302)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>92,121,601</b>	<b>53,491,589</b>	<b>74,105,504</b>	<b>46,746,624</b>

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				Deficit	Shareholders' Equity	Non-Controlling Interest	Total Equity
	Shares issued	Amount	Share Premium	Share-based Payments	Available-For-Sale Financial Assets					
<b>At February 29, 2016</b>	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	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)	
<b>At November 30, 2016</b>	<b>53,990,287</b>	<b>\$ 64,397,450</b>	<b>\$ 27,405</b>	<b>\$ 5,259,044</b>	<b>\$ 12,674</b>	<b>\$ (56,299,447)</b>	<b>\$ 13,397,126</b>	<b>\$ 97,398</b>	<b>\$ 13,494,524</b>	
<b>At February 29, 2017</b>	<b>54,318,858</b>	<b>\$ 64,450,656</b>	<b>\$ 27,405</b>	<b>\$ 5,286,216</b>	<b>\$ 57,349</b>	<b>\$ (56,481,176)</b>	<b>\$ 13,340,450</b>	<b>\$ -</b>	<b>\$ 13,340,450</b>	
Private placement	5,722,680	1,659,577	-	-	-	-	1,659,577	-	1,659,577	
Private placement - flow-through	19,824,774	5,340,423	-	-	-	-	5,340,423	-	5,340,423	
Flow-through premium	-	(244,751)	-	-	-	-	(244,751)	-	(244,751)	
Share issuance costs	-	(557,751)	-	178,436	-	-	(379,315)	-	(379,315)	
Share-based compensation	-	-	-	283,910	-	-	283,910	-	283,910	
Exercise of stock options	1,088,500	258,840	-	(113,720)	-	-	145,120	-	145,120	
Exercise of warrants	14,765,707	3,142,392	-	-	-	-	3,142,392	-	3,142,392	
Shares issued to Klondike Star shareholders (Note 4)	13,357	-	-	-	-	-	-	-	-	
Net loss and comprehensive loss	-	-	-	-	(69,632)	(1,511,697)	(1,581,329)	-	(1,581,329)	
<b>At November 30, 2017</b>	<b>95,733,876</b>	<b>\$ 74,049,386</b>	<b>\$ 27,405</b>	<b>\$ 5,634,842</b>	<b>\$ (12,283)</b>	<b>\$ (57,992,873)</b>	<b>\$ 21,706,477</b>	<b>\$ -</b>	<b>\$ 21,706,477</b>	

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

# KLONDIKE GOLD CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and nine months ended November 30, 2017 and 2016  
(Expressed in Canadian dollars)  
(Unaudited)

	2017	2016
<b>Operating activities</b>		
Net loss for the period	\$ (1,511,697)	\$ (549,374)
Items not involving cash:		
Depreciation	62,124	52,457
Share-based compensation	283,910	370,595
Gain on sale of property	-	(392,000)
Unrealized loss on warrants	104,000	11,000
Gain on sale of available-for-sale investments	(96,820)	(14,902)
Other income - flow-through	(141,708)	(36,436)
Changes in non-cash working capital items:		
Amounts receivable	(5,554)	(47,592)
Prepaid expenses and deposits	(43,531)	50,369
Due to related parties	-	(12,075)
Trade and other payables	(112,127)	(10,946)
<b>Cash used in operating activities</b>	<b>(1,461,403)</b>	<b>(578,904)</b>
<b>Financing activities</b>		
Proceeds on issuance of common shares, net of share issuance costs	6,620,685	2,758,795
Proceeds from exercise of options	145,120	-
Proceeds from exercise of warrants	3,142,392	338,446
<b>Cash provided by financing activities</b>	<b>9,908,197</b>	<b>3,097,241</b>
<b>Investing activities</b>		
Vehicle and machinery/equipment additions	(40,500)	(27,829)
Exploration and evaluation asset expenditures	(2,986,112)	(1,673,231)
Acquisition of Burkhard claims	(20,000)	-
Acquisition of Gimlex claims	-	(534,000)
Sale of property	-	50,000
Sale of available-for-sale investments	349,210	278,882
Restricted cash	-	(25,000)
<b>Cash used in investing activities</b>	<b>(2,697,402)</b>	<b>(1,931,178)</b>
Change in cash and cash equivalents during the period	5,749,392	587,159
Cash and cash equivalents, beginning of period	990,492	522,988
<b>Cash and cash equivalents, end of period</b>	<b>\$ 6,739,884</b>	<b>\$ 1,110,147</b>
<b>Cash and cash equivalents is comprised of:</b>		
Cash	\$ 6,054,734	\$ -
Cash equivalents	685,150	260,147
Term deposit	-	850,000

Supplemental cash flow information (Note 16)

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

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND NINE MONTHS ENDED NOVEMBER 30, 2017 AND 2016 (Expressed in Canadian dollars) (Unaudited)

### 1. NATURE OF OPERATIONS

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.

For the nine months ended November 30, 2017, the Company reported a loss of \$1,511,697 and an accumulated deficit of \$57,992,873 at that date. The Company had working capital of \$6,607,300 and cash and cash equivalents of \$6,739,884 at November 30, 2017.

During the nine months ended November 30, 2017, the Company closed private placements for gross proceeds of \$7,000,000 (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

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 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 unaudited condensed interim consolidated 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.

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND NINE MONTHS ENDED NOVEMBER 30, 2017 AND 2016 (Expressed in Canadian dollars) (Unaudited)

### 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).

### 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, entities 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.



# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND NINE MONTHS ENDED NOVEMBER 30, 2017 AND 2016 (Expressed in Canadian dollars) (Unaudited)

### 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 Corp., 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.

During the nine months ended November 30, 2017, the Company paid out \$7,099 for 2,028,310 Klondike Star shares tendered by shareholders and issued 13,357 common shares of the Company for 534,279 Klondike Star shares tendered by shareholders. Subsequent to November 30, 2017, the Company paid out \$712 for 203,369 Klondike Star shares tendered by shareholders and issued 5 common shares of the Company for 200 Klondike Star shares tendered by shareholders.

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 28, 2017 - \$10,000), \$15,000 (February 28, 2017 - \$15,000), and \$25,000 (February 28, 2017 - \$25,000) earning interest at an annual rate of 0.50% with maturity dates of February 21, 2018, February 28, 2018, and May 26, 2018, respectively. The Company has the ability to cancel its credit cards and receive the term deposits in full.

### 6. INVESTMENTS

	<b>As of November 30, 2017</b>		As of February 28, 2017	
	<b>Shares</b>	<b>Fair Value</b>	Shares	Fair Value
Rise Gold Corp. shares (Note 8(b)) <sup>(1)</sup>	-	\$ -	1,357,000	\$ 291,797
Rise Gold Corp. warrants (Note 8(b))	<b>1,500,000</b>	-	1,500,000	104,000
PJX Resources Inc. <sup>(2)</sup>	-	-	155,000	30,225
		<b>\$ -</b>		<b>\$ 426,022</b>

(1) During the nine months ended November 30, 2017, 1,357,000 shares of Rise Gold Corp (formerly Rise Resources Inc.) ("Rise") with a cost basis of \$230,690 were sold for net proceeds of \$321,762 resulting in a gain on sale of \$91,072.

(2) During the nine months ended November 30, 2017, 155,000 shares of PJX Resources Inc. ("PJX") with a cost basis of \$21,700 were sold for net proceeds of \$27,448 resulting in a gain on sale of \$5,748.

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND NINE MONTHS ENDED NOVEMBER 30, 2017 AND 2016 (Expressed in Canadian dollars) (Unaudited)

### 6. INVESTMENTS (continued)

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 Company has reviewed the valuation of the Rise warrants and determined them to have minimal future economic benefit to the Company, and has adjusted them to a \$nil fair value.

### 7. PROPERTY AND EQUIPMENT

<b>Cost</b>	Vehicles	Computers	Machinery/ Equipment	Building	Total
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
Additions	40,500	-	-	-	40,500
<b>Balance, November 30, 2017</b>	<b>\$ 66,000</b>	<b>\$ 28,583</b>	<b>\$ 224,652</b>	<b>\$ 380,000</b>	<b>\$ 699,235</b>

<b>Accumulated depreciation</b>	Vehicles	Computers	Machinery/ Equipment	Building	Total
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
Depreciation	9,750	-	38,124	14,250	62,124
<b>Balance, November 30, 2017</b>	<b>\$ 18,250</b>	<b>\$ 28,583</b>	<b>\$ 219,557</b>	<b>\$ 90,250</b>	<b>\$ 356,640</b>

<b>Carrying amount</b>	Vehicles	Computers	Machinery/ Equipment	Building	Total
Balance, February 28, 2017	\$ 17,000	\$ -	\$ 43,219	\$ 304,000	\$ 364,219
<b>Balance, November 30, 2017</b>	<b>\$ 47,750</b>	<b>\$ -</b>	<b>\$ 5,095</b>	<b>\$ 289,750</b>	<b>\$ 342,595</b>

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND NINE MONTHS ENDED NOVEMBER 30, 2017 AND 2016 (Expressed in Canadian dollars) (Unaudited)

### 8. EXPLORATION AND EVALUATION ASSETS

	Placer Claims	Quartz Claims	Total
	\$	\$	\$
<b>Acquisition costs:</b>			
Balance, February 28, 2017	1,167,436	4,852,843	6,020,279
Acquisition of Burkhard claims	-	20,000	20,000
<b>Balance, November 30, 2017</b>	<b>1,167,436</b>	<b>4,872,843</b>	<b>6,040,279</b>
<b>Exploration costs:</b>			
Balance, February 28, 2017	25,494	6,312,421	6,337,915
Consulting & wages	-	806,809	806,809
Camp supplies	-	189,574	189,574
Drilling	-	1,033,748	1,033,748
Fuel	-	72,710	72,710
Lab analysis	-	380,338	380,338
Property maintenance	-	154,955	154,955
Surveying	-	401,845	401,845
Travel	-	78,245	78,245
<b>Balance, November 30, 2017</b>	<b>25,494</b>	<b>9,430,644</b>	<b>9,456,138</b>
<b>Royalty payments received:</b>			
Balance, November 30, 2017	(743,335)	-	(743,335)
<b>Total costs:</b>			
Balance, November 30, 2017	449,595	14,303,487	14,753,082

	Placer Claims	Quartz Claims	Total
	\$	\$	\$
<b>Acquisition costs:</b>			
Balance, February 29, 2016	1,167,436	3,118,843	4,286,279
Acquisition of Gimlex claims	-	1,734,000	1,734,000
<b>Balance, February 28, 2017</b>	<b>1,167,436</b>	<b>4,852,843</b>	<b>6,020,279</b>
<b>Exploration costs:</b>			
Balance, February 29, 2016	25,494	4,554,476	4,579,970
Consulting & wages	-	504,402	504,402
Camp supplies	-	88,917	88,917
Drilling	-	522,464	522,464
Fuel	-	60,251	60,251
Lab analysis	-	228,727	228,727
Property maintenance	-	202,424	202,424
Surveying	-	44,068	44,068
Travel	-	106,692	106,692
<b>Balance, February 28, 2017</b>	<b>25,494</b>	<b>6,312,421</b>	<b>6,337,915</b>
<b>Royalty payments received:</b>			
Balance, February 29, 2016 and February 28, 2017	(743,335)	-	(743,335)
<b>Total costs:</b>			
Balance, February 28, 2017	449,595	11,165,264	11,614,859

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND NINE MONTHS ENDED NOVEMBER 30, 2017 AND 2016 (Expressed in Canadian dollars) (Unaudited)

### 8. EXPLORATION AND EVALUATION ASSETS (continued)

#### a) Yukon Quartz 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 Burkhard claims

During the nine months ended November 30, 2017, the Company executed a Property Acquisition Agreement of a 100% interest in mining claims located in the Dawson mining district, Yukon Territory for consideration of \$20,000. The Company has also granted a 2% Net Smelter Returns ("NSR") Royalty in respect of the Burkhard claims of which the Company may purchase one-half of the NSR Royalty (being a 1% NSR Royalty) for cash in the amount of \$1,000,000 at any time.

#### 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.

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.

#### Assignment of Lease on Indian River Property

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.

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND NINE MONTHS ENDED NOVEMBER 30, 2017 AND 2016 (Expressed in Canadian dollars) (Unaudited)

### 8. EXPLORATION AND EVALUATION ASSETS (continued)

As of November 30, 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 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 were 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.
- 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.

During the nine months ended November 30, 2017, the Company accepted \$100,000 in cash and the return of the B.C. properties in exchange for cancelling the purchase and sale agreement with Rise, including the July 2017 obligations. Rise does not retain any interest in the B.C. properties.

#### c) 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.

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND NINE MONTHS ENDED NOVEMBER 30, 2017 AND 2016 (Expressed in Canadian dollars) (Unaudited)

### 8. EXPLORATION AND EVALUATION ASSETS (continued)

The Company retains a 2% NSR over the Portuguese 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 nine months ended November 30, 2017, the Company was charged management fees of \$203,500 (November 30, 2016 – \$103,500) by a company owned by the CEO of the Company.
- b) During the nine months ended November 30, 2017, the Company was charged \$160,000 (November 30, 2016 – \$160,336), \$70,000 (2016 - \$28,706) of which was share issue costs, by a company whose CEO is a director of the Company, for corporate administration services included in consulting on the statement of net loss and comprehensive loss.

#### Key Management Compensation

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

Included in share-based compensation for the nine months ended November 30, 2017, was \$202,793 for vested stock options granted to directors and officers of the Company, and affiliated companies of directors and officers of the Company (November 30, 2016 - \$307,033).

### 10. SHARE CAPITAL

- a) Authorized: Unlimited common shares without par value.
- b) *Issued during the nine months ended November 30, 2017*

#### Private placement closed August 2017

The Company issued 9,824,774 flow-through units at a price of \$0.34 per unit for gross proceeds of \$3,340,423. Each flow-through unit consists of flow-through share and one half of a warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$0.45 per common share until August 2019.

A flow-through premium liability of \$144,751 was allocated to the flow-through obligation of the private placement closed August 2017, and the remainder of proceeds were allocated to share capital. As at November 30, 2017, the Company has incurred eligible expenditures of \$962,486 of the total obligation of \$3,340,423, leaving a flow-through premium liability of \$103,043.

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND NINE MONTHS ENDED NOVEMBER 30, 2017 AND 2016 (Expressed in Canadian dollars) (Unaudited)

### 10. SHARE CAPITAL (continued)

The Company concurrently issued 5,722,680 non flow-through units at a price of \$0.29 for gross proceeds of \$1,659,577, which has been allocated to share capital. 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 \$0.40 per common share until August 23, 2019.

Cash transaction costs of \$379,315 were incurred as share issuance costs and 701,039 warrants were issued as finders fees in relation to this private placement with a value of \$178,436. Each finders warrant entitles the holder to purchase one common share at an exercise price of \$0.34 per common share until August 2019. The finders warrants were fair valued using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of \$0.34; ii) expected share price volatility of 75%; iii) risk-free interest rate of 1.24%; iv) expected life of 2 years; v) no dividend yield.

#### Private placement closed April 2017

The Company issued 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 flow-through 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. Cash transaction costs of \$32,229 were incurred as share issuance costs in relation to this private placement.

A flow-through premium liability of \$100,000 was allocated to the flow-through obligation of this private placement, and the remainder of proceeds were allocated to share capital. As at November 30, 2017, the Company has fulfilled the total obligation of \$2,000,000. The flow-through premium was fully amortized to the statement of comprehensive loss for the nine months ended November 30, 2017, as other income.

#### *Issued during the nine months ended November 30, 2016*

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 common 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.

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.

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND NINE MONTHS ENDED NOVEMBER 30, 2017 AND 2016 (Expressed in Canadian dollars) (Unaudited)

### 10. SHARE CAPITAL (continued)

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.

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.

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.

c) A summary of the changes in warrants follows:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
Balance, February 29, 2016	16,132,265	\$ 0.30
Issued	6,627,094	0.29
Exercised	(1,945,803)	0.19
Expired	(2,215,788)	1.01
Balance, February 28, 2017	18,597,768	0.22
Issued	18,474,765	0.36
Exercised	(14,765,707)	0.17
Expired	(514,602)	0.20
Balance, November 30, 2017	21,792,224	\$ 0.34



# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND NINE MONTHS ENDED NOVEMBER 30, 2017 AND 2016 (Expressed in Canadian dollars) (Unaudited)

### 10. SHARE CAPITAL (continued)

As at November 30, 2017, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
139,507	0.20	December 15, 2017
850,000	0.15	December 23, 2017
2,000,000	0.35	November 30, 2018
1,761,666	0.35	March 13, 2019
1,441,286	0.20	April 4, 2019
149,389	0.34	August 23, 2019
2,861,340	0.40	August 23, 2019
1,809,386	0.45	August 23, 2019
551,650	0.34	August 30, 2019
3,103,000	0.45	August 30, 2019
7,125,000	0.30	April 4, 2020
21,792,224		

During the nine months ended November 30, 2017, 2,265,000 warrants with an exercise price of \$0.15, 9,525,707 with an exercise price of \$0.20, 2,875,000 with an exercise price of \$0.30, and 100,000 warrants with an exercise price of \$0.35 were all exercised for total proceeds of \$3,142,392.

During the nine months ended November 30, 2017, 514,602 warrants with an exercise price of \$0.20 expired.

Subsequent to November 30, 2017, 850,000 warrants with an exercise price of \$0.15 and 100,000 warrants with an exercise price of \$0.30 were all exercised for total proceeds of \$157,500, and 139,507 warrants with an exercise price of \$0.20 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.

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND NINE MONTHS ENDED NOVEMBER 30, 2017 AND 2016 (Expressed in Canadian dollars) (Unaudited)

### 10. SHARE CAPITAL (continued)

	Number of Options	Weighted Average Exercise Price
Balance, 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	1,400,000	0.26
Exercised	(1,088,500)	0.13
Balance, November 30, 2017	5,446,500	\$ 0.20

During the nine months ended November 30, 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. Using the Black-Scholes valuation model, the grant date fair value was determined to be \$0.20 per option.

During the nine months ended November 30, 2017, 913,500 stock options with an exercise price of \$0.12, 150,000 stock options with an exercise price of \$0.19, and 25,000 with an exercise price of \$0.28 were exercised for total proceeds of \$145,120.

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

	2017
Risk-free interest rate	1.36%
Expected life	10 years
Annualized volatility	75.00%
Dividend rate	0.00%

The following summarizes stock options outstanding and exercisable as at November 30, 2017:

Number of Options	Exercise Price	Expiry Date
1,786,500	\$ 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
1,400,000	0.26	April 4, 2027
5,446,500		

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND NINE MONTHS ENDED NOVEMBER 30, 2017 AND 2016 (Expressed in Canadian dollars) (Unaudited)

### 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, 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 unaudited condensed interim consolidated 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 and restricted cash 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   |

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND NINE MONTHS ENDED NOVEMBER 30, 2017 AND 2016 (Expressed in Canadian dollars) (Unaudited)

### 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The fair values of the Company's reclamation bonds, amounts receivable, and trade and other payables 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.

As at November 30, 2017, 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, 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 November 30, 2017, the Company had cash and cash equivalents of \$6,739,884 to settle current liabilities of \$241,772, consisting of trade and other payables.

#### 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, 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 November 30, 2017. The Company does not have any interest bearing debt.

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND NINE MONTHS ENDED NOVEMBER 30, 2017 AND 2016 (Expressed in Canadian dollars) (Unaudited)

### 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. 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. COMMITMENT

#### Lease commitment

The Company leases office premises with a remaining lease term of 2.25 years. The Company's commitment for future minimum payments in respect of the lease commitment is as follows:

	<b>November 30, 2017</b>
Short-term portion of the lease (<1 Year)	<b>\$ 144,016</b>
Long-term portion of the lease (>1 Year)	<b>180,020</b>
	<b>\$ 324,037</b>

### 14. MISCELLANEOUS INCOME

During the nine months ended November 30, 2017, the Company received \$40,500 (November 30, 2016 - \$8,759) in rental income relating to rental of property to a third party.

# **KLONDIKE GOLD CORP.**

## **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND NINE MONTHS ENDED NOVEMBER 30, 2017 AND 2016 (Expressed in Canadian dollars) (Unaudited)**

### **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 2017 as a result of these reclassifications.

### **16. SUPPLEMENTAL CASH FLOW INFORMATION**

During the nine months ended November 30, 2017, the Company had the following:

- Incurred exploration and evaluation assets expenses of \$132,111 through trade and other payables.
- Issued 701,039 warrants with a value of \$178,436 as finders fees in relation to the private placement closed August 2017.

There were no non-cash investing or financing transactions during the nine months ended November 30, 2017.