



KLONDIKE GOLD CORP.

Condensed Interim Consolidated Financial Statements

***For The Three Months Ended
May 31, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)***

KLONDIKE GOLD CORP.

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

	May 31, 2018	February 28, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 5,838,441	\$ 6,534,026
Restricted cash (Note 5)	50,000	50,000
Amounts receivable	30,114	38,895
Prepaid expenses and deposits	70,986	42,654
Total current assets	5,989,541	6,665,575
Reclamation bond	3,500	3,500
Property and equipment (Note 6)	318,165	321,734
Exploration and evaluation assets (Note 7)	15,386,974	15,015,509
Total assets	\$ 21,698,180	\$ 22,006,318
Liabilities		
Current liabilities		
Trade and other payables	\$ 357,540	\$ 189,445
Due to related parties (Note 8)	-	24,150
Flow-through premium (Note 9(b))	211,152	249,194
	568,692	462,789
Equity		
Share capital (Note 9)	73,993,308	73,958,692
Reserves (Note 9)	6,188,465	5,662,247
Deficit	(59,052,285)	(58,077,410)
Total equity	21,129,488	21,543,529
Total liabilities and equity	\$ 21,698,180	\$ 22,006,318

Nature of operations (Note 1)
Commitment (Note 12)
Subsequent event (Note 7(b))

Approved by the Board of Directors and authorized for issue on July 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 months ended May 31, 2018 and 2017
(Expressed in Canadian dollars)
(Unaudited)

	2018	2017
Expenses		
Consulting (Note 8)	\$ 54,932	\$ 53,888
Depreciation (Note 6)	11,069	17,486
Management fees and wages (Note 8)	253,022	83,203
Marketing	83,518	-
Office and miscellaneous (Note 12)	51,334	56,772
Professional fees	10,637	6,667
Regulatory and transfer agent	6,075	11,879
Share-based compensation (Note 9(d))	541,434	283,910
Travel	27,474	11,057
	(1,039,495)	(524,862)
Gain on sale of available-for-sale investments	-	97,212
Interest income	26,578	5,138
Other income - flow-through (Note 9(b))	38,042	6,840
Unrealized loss on warrants	-	(104,000)
Net loss for the period	(974,875)	(519,672)
Other comprehensive loss		
Unrealized loss on available-for-sale investments	-	(1,700)
Reclassification on sale of available-for-sale investments	-	(64,957)
Other comprehensive loss	-	(66,657)
Net loss and comprehensive loss for the period	(974,875)	(586,329)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	96,755,310	61,699,067

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				Total Equity
	Shares issued	Amount	Share Premium	Share-based Payments	Available- For-Sale Financial Assets	Deficit	
At February 28, 2017	54,318,858	\$ 64,450,656	\$ 27,405	\$ 5,286,216	\$ 57,349	\$ (56,481,176)	\$ 13,340,450
Private placement - flow-through	10,000,000	2,000,000	-	-	-	-	2,000,000
Flow-through premium	-	(100,000)	-	-	-	-	(100,000)
Share issuance costs	-	(32,229)	-	-	-	-	(32,229)
Share-based compensation	-	-	-	283,910	-	-	283,910
Exercise of stock options	150,000	50,135	-	(21,635)	-	-	28,500
Exercise of warrants	1,589,500	267,900	-	-	-	-	267,900
Net loss and comprehensive loss	-	-	-	-	(66,657)	(519,672)	(586,329)
At May 31, 2017	66,058,358	66,636,462	27,405	5,548,491	(9,308)	(57,000,848)	15,202,202
At February 28, 2018	96,683,881	73,958,692	27,405	5,634,842	-	(58,077,410)	21,543,529
Share-based compensation	-	-	-	541,434	-	-	541,434
Exercise of stock options	150,000	34,616	-	(15,216)	-	-	19,400
Net loss and comprehensive loss	-	-	-	-	-	(974,875)	(974,875)
At May 31, 2018	96,833,881	\$ 73,993,308	\$ 27,405	\$ 6,161,060	\$ -	\$ (59,052,285)	\$ 21,129,488

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

KLONDIKE GOLD CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended May 31, 2018 and 2017
(Expressed in Canadian dollars)
(Unaudited)

	2018	2017
Operating activities		
Net loss for the period	\$ (974,875)	\$ (519,672)
Items not involving cash:		
Depreciation	11,069	17,486
Share-based compensation	541,434	283,910
Unrealized loss on warrants	-	104,000
Gain on sale of available-for-sale investments	-	(97,212)
Other income - flow-through	(38,042)	(6,840)
Changes in non-cash working capital items:		
Amounts receivable	8,781	47,008
Prepaid expenses and deposits	(28,332)	(52,056)
Trade and other payables	(38,540)	(108,813)
Cash used in operating activities	(518,505)	(332,189)
Financing activities		
Proceeds on issuance of common shares, net of share issuance costs	-	1,967,771
Proceeds from exercise of options	19,400	28,500
Proceeds from exercise of warrants	-	267,900
Cash provided by financing activities	19,400	2,264,171
Investing activities		
Property and equipment additions	(7,500)	(35,000)
Exploration and evaluation asset expenditures	(188,980)	(148,220)
Sale of available-for-sale investments	-	337,702
Cash provided by (used in) investing activities	(196,480)	154,482
Change in cash and cash equivalents during the period	(695,585)	2,086,466
Cash and cash equivalents, beginning of period	6,534,026	990,492
Cash and cash equivalents, end of period	\$ 5,838,441	\$ 3,076,958
Cash and cash equivalents is comprised of:		
Cash	\$ 5,148,761	\$ 2,676,385
Cash equivalents	689,680	400,574
	\$ 5,838,441	\$ 3,076,958

Supplemental cash flow information (Note 13)

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

KLONDIKE GOLD CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MAY 31, 2018 AND 2017 (Expressed in Canadian dollars) (Unaudited)

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., Vancouver, British Columbia, V6Y 1B3.

For the three months ended May 31, 2018, the Company reported a loss of \$974,875, and an accumulated deficit of \$59,052,285 at that date. The Company had working capital of \$5,420,849 and cash and cash equivalents of \$5,838,441 at May 31, 2018.

During the year ended February 28, 2018, the Company closed private placements for gross proceeds of \$7,000,000. 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, except as described below, they 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.

This is the first set of the Company’s financial statements where IFRS 9 has been applied. Changes to significant accounting policies are described in Note 3. The changes in accounting policies are also expected to be reflected in the Company’s consolidated financial statements as at and for the year ending February 28, 2019.

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 classified as fair value through profit or loss or fair value through other comprehensive income or loss which are measured at fair value. 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 and functional currency of the Company 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MAY 31, 2018 AND 2017 (Expressed in Canadian dollars) (Unaudited)

2. BASIS OF PRESENTATION (continued)

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Recently adopted accounting standards

IFRS 9 - The Company has initially adopted IFRS 9 from March 1, 2018. IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. There was no material impact to the Company's financial statements as a result of transitioning to IFRS 9, and no prior period amounts were restated.

The details of the new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

(i) Classification and measurement of financial assets and liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available-for-sale.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below:

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MAY 31, 2018 AND 2017 (Expressed in Canadian dollars) (Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

A financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The Company’s financial assets which consist primarily of cash and cash equivalents, restricted cash, amounts receivable, and reclamation bond are classified and measured at amortized cost. The Company’s investments are classified and measured at FVOCI. Trade and other payables and due to related parties are classified as other financial liabilities.

Issued but not yet effective

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. The standards listed below include only those which the Company reasonably expects are applicable to the Company:

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

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.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MAY 31, 2018 AND 2017 (Expressed in Canadian dollars) (Unaudited)

4. KLONDIKE STAR ACQUISITION

Pursuant to a December 20, 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 into 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 until December 20, 2019 to tender the necessary documentation to convert their shareholdings.

As a result of the above merger, the Company accrued in trade and other payables a liability of \$68,210 as at May 31, 2017, 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 during the year ended February 28, 2017.

During the three months ended May 31, 2018, and the year ended February 28, 2018, the Company paid out \$7,820 for 2,234,259 Klondike Star shares tendered by Klondike Star shareholders and issued 13,362 common shares of the Company, with a value of \$47, for 534,479 Klondike Star shares tendered by Klondike Star shareholders. As at May 31, 2018, the remaining liability is \$68,343 (February 28, 2018: \$68,344).

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, 2018 - \$10,000), \$15,000 (February 28, 2018 - \$15,000), and \$25,000 (February 28, 2018 - \$25,000). The Company has the ability to cancel its credit cards and receive the term deposits in full.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MAY 31, 2018 AND 2017 (Expressed in Canadian dollars) (Unaudited)

6. PROPERTY AND EQUIPMENT

Cost	Vehicles	Machinery/ Equipment	Building	Total
Balance, February 28, 2017	\$ 25,500	\$ 224,652	\$ 380,000	\$ 630,152
Additions	40,500	-	-	40,500
Balance, February 28, 2018	66,000	224,652	380,000	670,652
Additions	7,500	-	-	7,500
Balance, May 31, 2018	\$ 73,500	\$ 224,652	\$ 380,000	\$ 678,152

Accumulated depreciation	Vehicles	Machinery/ Equipment	Building	Total
Balance, February 28, 2017	\$ 8,500	\$ 181,433	\$ 76,000	\$ 265,933
Depreciation	21,542	42,443	19,000	82,985
Balance, February 28, 2018	30,042	223,876	95,000	348,918
Depreciation	6,125	194	4,750	11,069
Balance, May 31, 2018	\$ 36,167	\$ 224,070	\$ 99,750	\$ 359,987

Carrying amount	Vehicles	Machinery/ Equipment	Building	Total
Balance, February 28, 2018	\$ 35,958	\$ 776	\$ 285,000	\$ 321,734
Balance, May 31, 2018	\$ 37,333	\$ 582	\$ 280,250	\$ 318,165

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MAY 31, 2018 AND 2017 (Expressed in Canadian dollars) (Unaudited)

7. EXPLORATION AND EVALUATION ASSETS

	Placer Claims	Quartz Claims	Total
	\$	\$	\$
Acquisition costs:			
Balance, February 28 and May 31, 2018	1,167,436	4,872,843	6,040,279
Exploration costs:			
Balance, February 28, 2018	25,494	9,693,071	9,718,565
Consulting & wages	-	19,935	19,935
Camp supplies	-	76,488	76,488
Drilling	-	142,125	142,125
Fuel	-	14,550	14,550
Lab analysis	-	18,845	18,845
Property maintenance	-	31,397	31,397
Surveying	-	39,308	39,308
Travel	-	28,817	28,817
Balance, May 31, 2018	25,494	10,064,536	10,090,030
Royalty payments received:			
Balance, February 28 and May 31, 2018	(743,335)	-	(743,335)
Total costs:			
Balance, May 31, 2018	449,595	14,937,379	15,386,974
	Placer Claims	Quartz Claims	Total
	\$	\$	\$
Acquisition costs:			
Balance, February 28, 2017	1,167,436	4,852,843	6,020,279
Acquisition of Burkhard claims	-	20,000	20,000
Balance, February 28, 2018	1,167,436	4,872,843	6,040,279
Exploration costs:			
Balance, February 28, 2017	25,494	6,312,421	6,337,915
Consulting & wages	-	878,149	878,149
Camp supplies	-	192,413	192,413
Drilling	-	1,033,748	1,033,748
Fuel	-	75,718	75,718
Lab analysis	-	565,160	565,160
Property maintenance	-	155,203	155,203
Surveying	-	401,845	401,845
Travel	-	78,414	78,414
Balance, February 28, 2018	25,494	9,693,071	9,718,565
Royalty payments received:			
Balance, February 28, 2017 and February 28, 2018	(743,335)	-	(743,335)
Total costs:			
Balance, February 28, 2018	449,595	14,565,914	15,015,509

KLONDIKE GOLD CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MAY 31, 2018 AND 2017 (Expressed in Canadian dollars) (Unaudited)

7. EXPLORATION AND EVALUATION ASSETS (continued)

a) Yukon Quartz and Placer Claims

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.

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.

Acquisition of Burkhard claims

During the year ended February 28, 2018, 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 to the vendor 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, 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 during the year ended February 28, 2017.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MAY 31, 2018 AND 2017 (Expressed in Canadian dollars) (Unaudited)

7. EXPLORATION AND EVALUATION ASSETS (continued)

As of February 28 and May 31, 2018, the Company has received \$743,335 in royalty payments, pursuant to a lease agreement, which are netted against capitalized exploration and evaluation asset costs. The assignee removed equipment and completed reclamation of mined areas as of February 28, 2017.

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. Subsequent to May 31, 2018, the 1,500,000 Rise warrants expired unexercised.
- 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 year ended February 28, 2018, the Company accepted \$100,000 in cash (received) and the return of the B.C. claims 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. claims. The Company recorded a gain on sale of exploration and evaluation assets of \$100,000 on the statement of net loss and comprehensive loss.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MAY 31, 2018 AND 2017 (Expressed in Canadian dollars) (Unaudited)

7. 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.

8. RELATED PARTY BALANCES AND TRANSACTIONS

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

- a) During the three months ended May 31, 2018, the Company was charged management fees of \$34,500 (May 31, 2017 – \$34,500) by a company owned by the CEO of the Company. Of this amount, \$10,350 (May 31, 2017 - \$16,100) was included in additions to exploration and evaluation assets. As at May 31, 2018, \$nil (February 28, 2018 - \$24,150) was payable to this Company.
- b) During the three months ended May 31, 2018, the Company was charged \$30,000 (May 31, 2017 – \$50,000), by a company whose CEO is a director of the Company, for corporate administration services included in consulting on the statements 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 three months ended May 31, 2018, was \$358,517 for vested stock options granted to directors and officers of the Company, and affiliated companies of directors and officers of the Company (May 31, 2017 – \$202,793).

9. SHARE CAPITAL

- a) Authorized: Unlimited common shares without par value.
- b) *Issued during the three months ended May 31, 2018*

There were no common shares issued during the three months ended May 31, 2018.

Issued during the year ended February 28, 2018

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 23 or 30, 2019.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MAY 31, 2018 AND 2017 (Expressed in Canadian dollars) (Unaudited)

9. SHARE CAPITAL (continued)

A flow-through premium liability of \$392,991 was allocated to the flow-through obligation of this private placement, and the remainder of proceeds were allocated to share capital. As at May 31, 2018, the Company has incurred eligible expenditures of \$1,545,634 of the total obligation of \$3,340,423, leaving a flow-through premium liability of \$211,152.

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. The Company allocated \$nil value to the warrants.

Cash transaction costs of \$347,086 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 23 or 30, 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 February 28, 2018, the Company has fulfilled the total obligation of \$2,000,000. The flow-through premium was fully amortized to the statement of net loss and comprehensive loss for the year ended February 28, 2018, as other income – flow-through.

c) A summary of the changes in warrants follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, February 28, 2017	18,597,768	\$ 0.22
Issued	18,474,766	0.36
Exercised	(15,715,707)	0.21
Expired	(654,110)	0.16
Balance, February 28 and May 31, 2018	20,702,717	\$ 0.35

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MAY 31, 2018 AND 2017 (Expressed in Canadian dollars) (Unaudited)

9. SHARE CAPITAL (continued)

As at May 31, 2018, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
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
7,025,000	0.30	April 4, 2020
20,702,717		

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, 2017	5,135,000	\$ 0.17
Granted	1,400,000	0.26
Exercised	(1,088,500)	0.13
Balance, February 28, 2018	5,446,500	0.20
Granted	3,700,000	0.29
Exercised	(150,000)	0.14
Cancelled	(50,000)	0.29
Balance, May 31, 2018	8,946,500	\$ 0.24

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

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9. SHARE CAPITAL (continued)

	2018	2017
Risk-free interest rate	2.07%	1.36%
Expected life	10 years	10 years
Annualized volatility	58.00%	75.00%
Dividend rate	0.00%	0.00%

The following summarizes stock options outstanding and exercisable as at May 31, 2018:

Number of Options	Exercise Price	Expiry Date
1,686,500	\$ 0.12	December 16, 2024
825,000	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
3,650,000	0.29	March 28, 2028
8,946,500		

During the three months ended May 31, 2018, 3,700,000 incentive stock options were granted to directors, officers, employees, and consultants of the Company, with an exercise price of \$0.29 per share until March 28, 2028.

During the three months ended May 31, 2018, 130,000 stock options with an exercise price of \$0.12 and 20,000 stock options with an exercise price of \$0.19 were exercised for total proceeds of \$19,400.

During the three months ended May 31, 2018, 50,000 stock options with an exercise price of \$0.29 were cancelled.

10. 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MAY 31, 2018 AND 2017 (Expressed in Canadian dollars) (Unaudited)

10. 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 three months ended May 31, 2018 and 2017.

11. 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, restricted cash, amounts receivable, and reclamation bond as measured at amortized cost. Investments are classified as measured at FVOCI. Trade and other payables and due to related parties are classified as other financial liabilities. Management did not identify any material embedded derivatives, which require separate recognition and measurement.

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

The three levels of the fair value hierarchy are:

- | | |
|---------|---|
| Level 1 | Unadjusted quoted prices in active markets for identical assets or liabilities; |
| Level 2 | Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and |
| Level 3 | Inputs that are not based on observable market data |

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

There have been no changes during the three months ended May 31, 2018, as to how the Company classifies its financial assets and liabilities by FVTPL, FVOCI, amortized cost, and other financial liabilities upon adoption of IFRS 9.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MAY 31, 2018 AND 2017 (Expressed in Canadian dollars) (Unaudited)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

As at May 31, 2018, 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 or brokerages. Management believes the risk of loss to be remote.

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 to settle current liabilities of \$357,540 (which excludes flow-through premium as a non-cash liability).

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 equivalents and restricted cash balances as at May 31, 2018. 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MAY 31, 2018 AND 2017 (Expressed in Canadian dollars) (Unaudited)

11. 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.

12. COMMITMENT

Lease commitment

The Company leases office premises with a remaining lease term of 1.75 years to February 2020. The Company's commitment for future minimum payments in respect of the lease commitment is as follows:

	May 31, 2018
Short-term portion of the lease (<1 Year)	\$ 144,016
Long-term portion of the lease (>1 Year)	108,012
	\$ 252,028

During the three months ended May 31, 2018, the Company received \$18,000 (May 31, 2017 - \$nil) in rental income relating to sublease of its office premises to a third party that is recorded as a recovery of rent expense, included in Office and miscellaneous on the statements of net loss and comprehensive loss.

13. SUPPLEMENTAL CASH FLOW INFORMATION

During the three months ended May 31, 2018, the Company:

- Incurred exploration and evaluation asset expenses of \$184,608 (May 31, 2017 - \$58,001) through trade and other payables.