KLONDIKE GOLD CORP.

Condensed Interim Consolidated Financial Statements

For The Three and Nine Months Ended
November 30, 2018 and 2017
(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, 2018	February 28, 2018
Assets		
Current assets		
Cash and cash equivalents	**$ 1,868,003**	$ 6,534,026
Restricted cash (Note 5)	**165,000**	50,000
Amounts receivable	**108,791**	38,895
Prepaid expenses and deposits	**81,857**	42,654
Total current assets	**2,223,651**	6,665,575
Reclamation bond	**3,500**	3,500
Property and equipment (Note 6)	**299,219**	321,734
Exploration and evaluation assets (Note 7)	**18,808,735**	15,015,509
Total assets	**$ 21,335,105**	$ 22,006,318
Liabilities		
Current liabilities		
Trade and other payables	**$ 496,473**	$ 189,445
Due to related parties (Note 8)	**-**	24,150
Flow-through premium (Note 9)	**-**	249,194
	496,473	462,789
Equity		
Share capital (Note 9)	**74,004,108**	73,958,692
Reserves (Note 9)	**6,188,465**	5,662,247
Deficit	**(59,353,941)**	(58,077,410)
Total equity	**20,838,632**	21,543,529
Total liabilities and equity	**$ 21,335,105**	$ 22,006,318

Nature of operations (Note 1)
Commitment (Note 12)

Approved by the Board of Directors and authorized for issue on January 29, 2019:

"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, 2018 AND 2017
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended November 30, 2018	Three months ended November 30, 2017	Nine months ended November 30, 2018	Nine months ended November 30, 2017
Expenses				
Consulting (Note 8)	**$ 58,424**	$ 95,958	**$ 160,104**	$ 238,947
Depreciation (Note 6)	**9,426**	20,861	**31,565**	62,124
Management fees and wages (Note 8)	**32,368**	221,259	**401,327**	449,461
Marketing	**51,178**	19,215	**183,698**	375,940
Office and miscellaneous (Note 12)	**56,412**	47,018	**156,226**	123,047
Professional fees	**11,006**	15,798	**29,471**	37,770
Regulatory and transfer agent	**16,200**	23,891	**31,141**	55,222
Share-based compensation (Note 9(d))	**-**	-	**541,434**	283,910
Travel	**46,156**	33,372	**131,709**	58,989
	(281,170)	(477,372)	**(1,666,675)**	(1,685,410)
Gain on sale of available-for-sale investments	**-**	-	**-**	96,820
Gain on sale of property and equipment	**7,750**	-	**81,250**	-
Interest income	**11,863**	25,721	**59,700**	39,185
Other income - flow-through (Note 9(b))	**-**	54,303	**249,194**	141,708
Unrealized loss on warrants	**-**	-	**-**	(104,000)
Net loss for the period	**(261,557)**	(397,348)	**(1,276,531)**	(1,511,697)
Other comprehensive loss				
Reclassification on sale of available-for-sale investments	**-**	-	**-**	(69,632)
Other comprehensive loss	**-**	-	**-**	(69,632)
Net loss and comprehensive loss for the period	**(261,557)**	(397,348)	**(1,276,531)**	(1,581,329)
Basic and diluted loss per share	**$ (0.00)**	$ (0.00)	**$ (0.01)**	$ (0.02)
Weighted average number of common shares outstanding	**96,887,881**	92,121,601	**96,830,450**	74,105,504

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

KLONDIKE GOLD CORP.

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

	SHARE CAPITAL		RESERVES				
	Shares issued	Amount	Share Premium	Share-based Payments	Available-For-Sale Financial Assets	Deficit	Total Equity
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	5,722,680	1,659,577	-	-	-	-	1,659,577
Private placement - flow-through	19,824,774	5,340,423	-	-	-	-	5,340,423
Flow-through premium	-	(244,751)	-	-	-	-	(244,751)
Share issuance costs	-	(557,751)	-	178,436	-	-	(379,315)
Share-based compensation	-	-	-	283,910	-	-	283,910
Exercise of stock options	1,088,500	258,840	-	(113,720)	-	-	145,120
Exercise of warrants	14,765,707	3,142,392	-	-	-	-	3,142,392
Shares issued to Klondike Star shareholders	13,357	-	-	-	-	-	-
Net loss and comprehensive loss	-	-	-	-	(69,632)	(1,511,697)	(1,581,329)
At November 30, 2017	95,733,876	74,049,386	27,405	5,634,842	(12,283)	(57,992,873)	21,706,477
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
Exercise of warrants	54,000	10,800	-	-	-	-	10,800
Net loss and comprehensive loss	-	-	-	-	-	(1,276,531)	(1,276,531)
At November 30, 2018	96,887,881	$ 74,004,108	$ 27,405	$ 6,161,060	$ -	$ (59,353,941)	$ 20,838,632

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, 2018 AND 2017
(Expressed in Canadian dollars)
(Unaudited)

	2018	2017
Operating activities		
Net loss for the period	**$ (1,276,531)**	$ (1,511,697)
Items not involving cash:		
Depreciation	**31,565**	62,124
Share-based compensation	**541,434**	283,910
Gain on sale of equipment	**(81,250)**	-
Unrealized loss on warrants	**-**	104,000
Gain on sale of available-for-sale investments	**-**	(96,820)
Other income - flow-through	**(249,194)**	(141,708)
Changes in non-cash working capital items:		
Amounts receivable	**(69,896)**	(5,554)
Prepaid expenses and deposits	**(39,203)**	(43,531)
Due to related parties	**(24,150)**	-
Trade and other payables	**(17,352)**	(112,127)
	(1,184,577)	(1,461,403)
Financing activities		
Proceeds on issuance of common shares, net of share issuance costs	**-**	6,620,685
Proceeds from exercise of options	**19,400**	145,120
Proceeds from exercise of warrants	**10,800**	3,142,392
	30,200	9,908,197
Investing activities		
Property and equipment additions	**(13,300)**	(40,500)
Disposition of property and equipment	**85,500**	-
Exploration and evaluation asset expenditures	**(3,468,846)**	(2,986,112)
Acquisition of Burkhard claims	**-**	(20,000)
Sale of available-for-sale investments	**-**	349,210
Restricted cash	**(115,000)**	-
	(3,511,646)	(2,697,402)
Change in cash and cash equivalents during the period	**(4,666,023)**	5,749,392
Cash and cash equivalents, beginning of period	**6,534,026**	990,492
Cash and cash equivalents, end of period	**$ 1,868,003**	$ 6,739,884
Cash and cash equivalents is comprised of:		
Cash	**$ 1,173,046**	$ 6,054,734
Cash equivalents	**694,957**	685,150
	$ 1,868,003	$ 6,739,884

Supplemental cash flow information (Note 13)

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

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., Vancouver, British Columbia, V6Y 1B3.

For the nine months ended November 30, 2018, the Company reported a loss of $1,276,531, and an accumulated deficit of $59,353,941 at that date. The Company had working capital of $1,727,178 and cash and cash equivalents of $1,868,003 at November 30, 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.

Changes to significant accounting policies are described in Note 3.

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.

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:

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.

<u>Issued but not yet effective</u>

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.

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 November 30, 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.

(Expressed in Canadian dollars)

4. KLONDIKE STAR ACQUISITION (continued)

As at November 30, 2018, the Company has paid out $11,852 for 3,386,284 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 November 30, 2018, the remaining liability is $56,311 (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 $165,000 (February 28, 2018 - $50,000). The Company has the ability to cancel its credit cards and receive the term deposits in full.

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	13,300	-	-	13,300
Disposals	(25,500)	(100,000)	-	(125,500)
Balance, November 30, 2018	**$ 53,800**	**$ 124,652**	**$ 380,000**	**$ 558,452**

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	16,733	582	14,250	31,565
Disposals	(21,250)	(100,000)	-	(121,250)
Balance, November 30, 2018	**$ 25,525**	**$ 124,458**	**$ 109,250**	**$ 259,233**

Carrying amount	Vehicles	Machinery/ Equipment	Building	Total
Balance, February 28, 2018	$ 35,958	$ 776	$ 285,000	$ 321,734
Balance, November 30, 2018	**$ 28,275**	**$ 194**	**$ 270,750**	**$ 299,219**

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

	Placer Claims	Quartz Claims	Total
	$	$	$
Acquisition costs:			
Balance, February 28 and November 30, 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	-	917,934	917,934
Camp supplies	-	277,315	277,315
Drilling	-	1,225,625	1,225,625
Fuel	-	90,317	90,317
Lab analysis	-	859,206	859,206
Property maintenance	-	81,042	81,042
Surveying	-	265,754	265,754
Travel	-	76,033	76,033
Balance, November 30, 2018	25,494	13,486,297	13,511,791
Royalty payments received:			
Balance, February 28 and November 30, 2018	(743,335)	-	(743,335)
Total costs:			
Balance, November 30, 2018	449,595	18,359,140	18,808,735

	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

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.

7. EXPLORATION AND EVALUATION ASSETS (continued)

As of February 28 and November 30, 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. During the nine months ended November 30, 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.

7. EXPLORATION AND EVALUATION ASSETS (continued)

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.

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 nine months ended November 30, 2018, the Company was charged management fees of $103,500 (November 30, 2017 - $203,500) by a company owned by the CEO of the Company. Of this amount, $55,200 (November 30, 2017 - $58,650) was included in additions to exploration and evaluation assets. As at November 30, 2018, $nil (February 28, 2018 - $24,150) was payable to this Company.

b) During the nine months ended November 30, 2018, the Company was charged $90,000 (November 30, 2017 - $160,000), $nil of which was share issue costs (November 30, 2017 - $70,000), 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.

<u>Key Management Compensation</u>

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, 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 (November 30, 2017 - $202,793).

9. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value.

b) *Issued during the nine months ended November 30, 2018*

During the nine months ended November 30, 2018, 54,000 common shares were issued pursuant to the exercise of warrants (Note 9(c)).

During the nine months ended November 30, 2018, 150,000 common shares were issued pursuant to the exercise of stock options (Note 9(d)).

9. SHARE CAPITAL (continued)

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.

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 November 30, 2018, the Company has fulfilled the total obligation of $3,340,423. The flow-through premium was fully amortized to the statement of net loss and comprehensive loss for the nine months ended November 30, 2018, as other income - flow-through.

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.

(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

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, 2018	20,702,717	0.35
Exercised	(54,000)	0.20
Balance, November 30, 2018	20,648,717	$ 0.35

As at November 30, 2018, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
1,761,666	$ 0.35	March 13, 2019
1,387,286	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
2,000,000	0.35	May 31, 2021
20,648,717		

During the nine months ended November 30, 2018, 54,000 warrants with an exercise price of $0.20 were exercised for proceeds of $10,800.

During the nine months ended November 30, 2018, the Company extended the expiry date of 2,000,000 warrants with an exercise price of $0.35 from November 30, 2018, to May 31, 2021.

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 nine month period. All other stock options vest at the discretion of the Board of Directors.

(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

	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, November 30, 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:

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

The following summarizes stock options outstanding and exercisable as at November 30, 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 nine months ended November 30, 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 nine months ended November 30, 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 nine months ended November 30, 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.

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, 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 nine 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

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 nine months ended November 30, 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.

As at November 30, 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.

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 nine 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 November 30, 2018. The Company does not have any interest bearing debt.

(Expressed in Canadian dollars)

11. 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.

12. COMMITMENT

Lease commitment

The Company leases office premises with a remaining lease term of 1.25 years to February 2020. The Company's commitment for future minimum payments in respect of the lease commitment is as follows:

	November 30, 2018
Short-term portion of the lease (<1 Year)	**$ 144,016**
Long-term portion of the lease (>1 Year)	**36,004**
	$ 180,020

During the nine months ended November 30, 2018, the Company received $45,000 (November 30, 2017 - $40,500) 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 nine months ended November 30, 2018, the Company:

- Incurred exploration and evaluation asset expenses of $329,504 (November 30, 2017 - $132,111) through trade and other payables.