KLONDIKE GOLD CORP.

Consolidated Financial Statements

For The Years Ended
February 28, 2019 and 2018
(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Klondike Gold Corp.

Opinion

We have audited the accompanying consolidated financial statements of Klondike Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at February 28, 2019 and 2018, and the consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Grant P. Block.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada — Chartered Professional Accountants

June 20, 2019

KLONDIKE GOLD CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

		February 28, 2019	February 28, 2018
Assets			
Current assets			
Cash and cash equivalents	$	**1,266,876**	$ 6,534,026
Restricted cash (Note 5)		**165,402**	50,000
Amounts receivable		**51,357**	38,895
Prepaid expenses and deposits		**55,100**	42,654
Total current assets		**1,538,735**	6,665,575
Reclamation bond		**3,500**	3,500
Property and equipment (Note 6)		**289,792**	321,734
Exploration and evaluation assets (Note 7)		**19,120,865**	15,015,509
Total assets	$	**20,952,892**	$ 22,006,318
Liabilities			
Current liabilities			
Trade and other payables	$	**279,718**	$ 189,445
Due to related parties (Note 8)		**-**	24,150
Flow-through premium (Note 9)		**-**	249,194
		279,718	462,789
Equity			
Share capital (Note 9)		**74,005,932**	73,958,692
Reserves (Note 9)		**6,294,864**	5,662,247
Deficit		**(59,627,622)**	(58,077,410)
Total equity		**20,673,174**	21,543,529
Total liabilities and equity	$	**20,952,892**	$ 22,006,318

Nature of operations (Note 1)
Subsequent events (Notes 4,9)
Commitment (Note 12)

Approved by the Board of Directors and authorized for issue on June 20, 2019:

"Peter Tallman" Director

"Gordon Keep" Director

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

KLONDIKE GOLD CORP.

CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian dollars)

	2019	2018
Expenses		
Consulting (Note 8)	**$ 208,649**	$ 319,416
Depreciation (Note 6)	**40,992**	82,985
Management fees and wages (Note 8)	**385,164**	531,613
Marketing	**220,016**	378,888
Office and miscellaneous (Note 12)	**209,915**	180,412
Professional fees	**39,838**	85,887
Regulatory and transfer agent	**40,060**	64,599
Share-based compensation (Note 9(d))	**647,833**	283,910
Travel	**155,547**	69,822
	(1,948,014)	(1,997,532)
Gain on sale of available-for-sale investments	**-**	96,820
Gain on sale of exploration and evaluation assets	**-**	100,000
Gain on sale of property and equipment	**81,250**	-
Interest income	**67,358**	64,681
Other income - flow-through (Note 9(b))	**249,194**	243,797
Unrealized loss on warrants	**-**	(104,000)
Net loss for the year	**(1,550,212)**	(1,596,234)
Other comprehensive loss		
Reclassification on sale of available-for-sale investments	**-**	(57,349)
Other comprehensive loss	**-**	(57,349)
Net loss and comprehensive loss for the year	**(1,550,212)**	(1,653,583)
Basic and diluted loss per share	**$ (0.02)**	$ (0.02)
Weighted average number of common shares outstanding	**96,844,650**	79,637,520

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

KLONDIKE GOLD CORP.

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

	SHARE CAPITAL		RESERVES				
	Shares issued	Amount	Share Premium	Share-based Payments	Available-For-Sale Financial Assets	Deficit	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	-	(492,991)	-	-	-	-	(492,991)
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	15,715,707	3,299,891	-	-	-	-	3,299,891
Shares issued to Klondike Star shareholders	13,362	47	-	-	-	-	47
Net loss and comprehensive loss	-	-	-	-	(57,349)	(1,596,234)	(1,653,583)
At February 28, 2018	96,683,881	$ 73,958,692	$ 27,405	$ 5,634,842	$ -	$ (58,077,410)	$ 21,543,529
At February 28, 2018	96,683,881	$ 73,958,692	$ 27,405	$ 5,634,842	$ -	$ (58,077,410)	$ 21,543,529
Share-based compensation	-	-	-	647,833	-	-	647,833
Exercise of stock options	150,000	34,616	-	(15,216)	-	-	19,400
Exercise of warrants	54,000	10,800	-	-	-	-	10,800
Shares issued to Klondike Star shareholders	-	1,824	-	-	-	-	1,824
Net loss and comprehensive loss	-	-	-	-	-	(1,550,212)	(1,550,212)
At February 28, 2019	96,887,881	$ 74,005,932	$ 27,405	$ 6,267,459	$ -	$ (59,627,622)	$ 20,673,174

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

KLONDIKE GOLD CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian dollars)

	2019	2018
Operating activities		
Net loss for the year	**$ (1,550,212)**	$ (1,596,234)
Items not involving cash:		
Depreciation	**40,992**	82,985
Share-based compensation	**647,833**	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)**	(243,797)
Shares issued to Klondike Star shareholders	**1,824**	-
Changes in non-cash working capital items:		
Amounts receivable	**(12,462)**	32,055
Prepaid expenses and deposits	**(12,446)**	(458)
Due to related parties	**(24,150)**	24,150
Trade and other payables	**2,385**	28,188
	(1,236,680)	(1,382,021)
Financing activities		
Proceeds on issuance of common shares, net of share issuance costs	**-**	6,605,949
Proceeds from exercise of options	**19,400**	145,120
Proceeds from exercise of warrants	**10,800**	3,299,891
	30,200	10,050,960
Investing activities		
Property and equipment additions	**(13,300)**	(40,500)
Disposition of property and equipment	**85,500**	-
Exploration and evaluation asset expenditures	**(4,017,468)**	(3,434,115)
Sale of available-for-sale investments	**-**	349,210
Restricted cash	**(115,402)**	-
	(4,060,670)	(3,125,405)
Change in cash and cash equivalents during the year	**(5,267,150)**	5,543,534
Cash and cash equivalents, beginning of year	**6,534,026**	990,492
Cash and cash equivalents, end of year	**$ 1,266,876**	$ 6,534,026
Cash and cash equivalents is comprised of:		
Cash	**$ 568,697**	$ 5,846,695
Cash equivalents	**698,179**	687,331
	$ 1,266,876	$ 6,534,026

Supplemental cash flow information (Note 13)

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

1. NATURE OF OPERATIONS

Klondike Gold Corp. (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 year ended February 28, 2019, the Company reported a loss of $1,550,212, and an accumulated deficit of $59,627,622 at that date. The Company had working capital of $1,259,017 and cash and cash equivalents of $1,266,876 at February 28, 2019.

In May 2019, the Company closed a non-brokered private placement for gross proceeds of $2,245,886 (Note 9(b)). Although the Company presently has sufficient financial resources to cover its existing obligations and operating costs and undertake its currently planned programs for the next year, the Company expects to require further funding in the longer term to fund ongoing exploration and evaluation activities.

2. BASIS OF PRESENTATION

a) Statement of Compliance

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

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for cash flow information and financial instruments measured at fair value. In addition, these 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.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

2. BASIS OF PRESENTATION (continued)

d) Basis of Consolidation

Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. All intercompany balances and transactions are eliminated upon consolidation.

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

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

e) Financial Instruments

Financial assets and financial liabilities are classified into three categories: amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets is determined by their context in the Company's business model and by the characteristics of the financial asset's contractual cash flows.

Financial assets and financial liabilities are measured at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification.

Cash and cash equivalents, restricted cash, amount receivable, reclamation bond, trade and other payables, and due to related parties are classified as and measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. The financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Company has no financial instruments measured at FVTPL or FVOCI.

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

f) Comprehensive Income (Loss)

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

2. BASIS OF PRESENTATION (continued)

g) Cash and Cash Equivalents

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

h) Exploration and Evaluation Assets

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

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

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

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

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

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

i) Property and Equipment

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

2. BASIS OF PRESENTATION (continued)

Vehicles	3 years straight line basis
Machinery and equipment	3-5 years straight line basis
Building	20 years straight line basis

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

j) Impairment of Non-Financial Assets

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

The impairment test is carried out at the cash-generating unit level, which is the smallest identifiable group of assets for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

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

k) Decommissioning Liabilities

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

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

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

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

2. BASIS OF PRESENTATION (continued)

At February 28, 2019 and 2018, the Company did not incur any such obligations.

l) Share Capital

i) Non-monetary consideration

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

ii) Flow-through shares

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

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

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

iii) Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based compensation expense with a corresponding increase in reserves within equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

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

2. BASIS OF PRESENTATION (continued)

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

iv) Share issuance costs

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

m) Income Taxes

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

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

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

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

n) Loss Per Share

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Critical accounting estimates

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

Share-based compensation

Management is required to make certain estimates when determining the fair value of stock option awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in profit or loss. For the year ended February 28, 2019, the Company recognized $647,833 in share-based compensation expense (February 28, 2018: $283,910).

Critical accounting judgments

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

Mineral properties under exploration

The carrying amount of the Company's exploration and evaluation asset properties does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Income taxes

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

Recently adopted accounting standards

IFRS 9 - The Company initially adopted IFRS 9 on 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:

Financial assets and liabilities are classified as and measured at: amortized cost, FVOCI, or 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, amount receivable, and reclamation bond are classified as and measured at amortized cost. The Company's financial liabilities which consist primarily trade and other payables and due to related parties are classified as and measured at amortized cost.

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.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

The Company is still assessing the impact of the adoption, but anticipates there will be minimal impact for the recognition of the Company's office lease, however this impact is not expected to be material.

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 February 28, 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.

As at February 28, 2019, the Company has paid out $11,954 for 3,415,364 Klondike Star shares tendered by Klondike Star shareholders and issued 13,362 common shares of the Company, with a value of $1,871, for 534,479 Klondike Star shares tendered by Klondike Star shareholders. As at February 28, 2019, the remaining liability is $56,256 (February 28, 2018: $60,344). Subsequent to February 28, 2019, 532 common shares of the Company, with a value of $74, were issued for 21,280 Klondike Star shares tendered by Klondike Star shareholders.

5. RESTRICTED CASH

The Company maintains one-year term deposits, which automatically renew at maturity, as collateral for the credit cards of $165,402 (February 28, 2018 - $50,000). The Company has the ability to cancel its credit cards and receive the term deposits in full.

(Expressed in Canadian dollars)

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, February 28, 2019	**$ 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	21,216	776	19,000	40,992
Disposals	(21,250)	(100,000)	-	(121,250)
Balance, February 28, 2019	**$ 30,008**	**$ 124,652**	**$ 114,000**	**$ 268,660**

Carrying amount	Vehicles	Machinery/ Equipment	Building	Total
Balance, February 28, 2018	$ 35,958	$ 776	$ 285,000	$ 321,734
Balance, February 28, 2019	**$ 23,792**	**$ -**	**$ 266,000**	**$ 289,792**

KLONDIKE GOLD CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

	Placer Claims	Quartz Claims	Total
	$	$	$
Acquisition costs:			
Balance, February 28, 2018 and February 28, 2019	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	-	1,191,737	1,191,737
Camp supplies	-	277,457	277,457
Drilling	-	1,225,625	1,225,625
Fuel	-	92,881	92,881
Lab analysis	-	888,567	888,567
Property maintenance	-	87,302	87,302
Surveying	-	265,754	265,754
Travel	-	76,033	76,033
Balance, February 28, 2019	25,494	13,798,427	13,823,921
Royalty payments received:			
Balance, February 28, 2018 and February 28, 2019	(743,335)	-	(743,335)
Total costs:			
Balance, February 28, 2019	449,595	18,671,270	19,120,865

	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, 2018, and February 28, 2019, 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 Resources Inc. 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 year ended February 28, 2019, 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 for the year ended February 28, 2018.

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 year ended February 28, 2019, the Company was charged management fees of $138,000 (February 28, 2018 - $238,000) by a company owned by the CEO of the Company. Of this amount, $62,100 (February 28, 2018 - $65,550) was included in additions to exploration and evaluation assets. As at February 28, 2019, $nil (February 28, 2018 - $24,150) was payable to this Company.

b) During the year ended February 28, 2019, the Company was charged $120,000 (February 28, 2018 - $190,000), $nil of which was share issue costs (February 28, 2018 - $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 year ended February 28, 2019, was $428,973 for vested stock options granted to directors and officers of the Company, and affiliated companies of directors and officers of the Company (February 28, 2018 - $202,793).

9. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value.

b) *Issued during the year ended February 28, 2019*

During the year ended February 28, 2019, 54,000 common shares were issued pursuant to the exercise of warrants (Note 9(c)).

During the year ended February 28, 2019, 150,000 common shares were issued pursuant to the exercise of stock options (Note 9(d)).

Subsequent to February 28, 2019, 1,387,286 common shares were issued pursuant to the exercise of warrants (Note 9(c)).

In May 2019, the Company issued 7,790,390 flow-through units at a price of $0.22 per flow-through unit for gross proceeds of $1,713,886, and 2,660,000 non flow-through units at a price of $0.20 per

9. SHARE CAPITAL (continued)

non flow-through unit for gross proceeds of $532,000. The total gross proceeds of the non-brokered private placement is $2,245,886.

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 February 28, 2019, 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 year ended February 28, 2019, 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, February 28, 2019	20,648,717	$	0.35

As at February 28, 2019, the following warrants were outstanding:

Number of Warrants		Exercise Price	Expiry Date
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*
1,761,666		0.35	September 13, 2021*
20,648,717			

* During the year ended February 28, 2019, 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, and 1,761,666 warrants with an exercise price of $0.35 from March 13, 2019, to September 13, 2021.

** Subsequent to February 28, 2019, 1,387,286 warrants with an exercise price of $0.20 were exercised for proceeds of $277,457.

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)	0.13
Cancelled	(150,000)	0.28
Balance, February 28, 2019	8,846,500	$ 0.24

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

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

The following summarizes stock options outstanding and exercisable as at February 28, 2019:

Number of Options	Exercise Price	Expiry Date
1,656,500	$ 0.12	December 16, 2024
855,000	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
1,350,000	0.26	April 4, 2027
3,600,000	0.29	March 28, 2028
8,846,500		

During the year ended February 28, 2019, 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 year ended February 28, 2019, 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 year ended February 28, 2019, 100,000 stock options with an exercise price of $0.29 and 50,000 stock options with an exercise price of $0.26 were cancelled.

9. SHARE CAPITAL (continued)

Subsequent to February 28, 2019, 1,860,000 stock options were granted to directors, officers, employees, and consultants of the Company. The options are exercisable at a price of $0.21 per share until May 17, 2029.

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 year ended February 28, 2019 and 2018.

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 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

Cash and cash equivalents, restricted cash, amounts receivable, and reclamation bond are classified as and measured at amortized cost. Trade and other payables and due to related parties are classified as and measured at amortized cost. 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 levels of the fair value hierarchy are:

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

There have been no changes during the year ended February 28, 2019, as to how the Company classifies its financial assets and liabilities by FVTPL, FVOCI, and amortized cost upon adoption of IFRS 9.

As at February 28, 2019, 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 three types of 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 February 28, 2019. 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.

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 one year to February 2020. The Company's commitment for future minimum payments in respect of the lease commitment is as follows:

	February 28, 2019
Short-term portion of the lease (<1 Year)	**$ 144,016**

During the year ended February 28, 2019, the Company received $54,000 (February 28, 2018 - $54,000) 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.

(Expressed in Canadian dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended February 28, 2019, the Company:

- Incurred exploration and evaluation asset expenses of $93,012 (February 28, 2018 - $5,124) through trade and other payables

- Paid interest of $nil (2018: $nil) and income taxes of $nil (2018: $nil)

14. INCOME TAXES

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

		2019		2018
Loss for the year	$	(1,550,212)	$	(1,596,234)
Expected income tax recovery	$	(419,000)	$	(431,000)
Change in statutory, foreign tax, foreign exchange rates and other		37,000		(299,000)
Permanent differences		111,000		29,000
Impact of flow through share		572,000		906,000
Share issue cost		-		(102,000)
Change in unrecognized deductible temporary differences		(301,000)		(103,000)
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

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

		2019	Expiry Date Range		2018	Expiry Date Range
Temporary Differences						
Property and equipment	$	1,003,000	No expiry date	$	958,000	No expiry date
Share issue costs		262,000	2040 to 2042		367,000	2039 to 2042
Allowable capital losses		3,435,000	No expiry date		3,434,000	No expiry date
Non-capital losses available for future periods		10,992,000	2026 to 2039		12,051,000	2026 to 2038