KLONDIKE GOLD CORP.

Condensed Interim
Consolidated Financial Statements

For The Three and Nine Months Ended
November 30, 2019 and 2018
(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 unaudited condensed interim consolidated financial statements.

KLONDIKE GOLD CORP.

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

	November 30, 2019	February 28, 2019
Assets		
Current assets		
Cash and cash equivalents	$ **436,298**	$ 1,266,876
Restricted cash (Note 5)	**165,529**	165,402
Amounts receivable	**83,898**	51,357
Prepaid expenses and deposits	**119,985**	55,100
Total current assets	**805,710**	1,538,735
Reclamation bond	**3,500**	3,500
Property and equipment (Note 6)	**1,003,159**	289,792
Exploration and evaluation assets (Note 7)	**22,342,955**	19,120,865
Total assets	$ **24,155,324**	$ 20,952,892
Liabilities		
Current liabilities		
Trade and other payables	$ **218,518**	$ 279,718
Lease (Note 8)	**123,003**	-
Total current liabilities	**341,521**	279,718
Long-term lease (Note 8)	**655,297**	-
Total liabilities	**996,818**	279,718
Equity		
Share capital (Note 10)	**77,795,289**	74,005,932
Reserves (Note 10)	**6,502,302**	6,294,864
Deficit	**(61,139,085)**	(59,627,622)
Total equity	**23,158,506**	20,673,174
Total liabilities and equity	$ **24,155,324**	$ 20,952,892

Nature of operations and going concern (Note 1)
Subsequent events (Note 4, 10(d))

Approved by the Board of Directors and authorized for issue on January 28, 2020:

"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
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended November 30, 2019	Three months ended November 30, 2018	Nine months ended November 30, 2019	Nine months ended November 30, 2018
Expenses				
Consulting (Note 9)	**$ 83,445**	$ 58,424	**$ 247,162**	$ 160,104
Depreciation (Note 6)	**44,522**	9,426	**133,568**	31,565
Management fees and wages (Note 9)	**107,130**	32,368	**383,694**	401,327
Marketing	**105,956**	51,178	**479,679**	183,698
Office and miscellaneous (Note 8)	**20,509**	56,412	**48,123**	156,226
Professional fees	**9,972**	11,006	**18,793**	29,471
Regulatory and transfer agent	**16,134**	16,200	**28,303**	31,141
Share-based compensation (Note 10(d))	**-**	-	**285,523**	541,434
Travel	**31,154**	46,156	**72,491**	131,709
	(418,822)	(281,170)	**(1,697,336)**	(1,666,675)
Finance expense	**(12,900)**	-	**(39,816)**	-
Gain on sale of property and equipment	**-**	7,750	**-**	81,250
Interest income	**4,992**	11,863	**31,381**	59,700
Other income - flow-through (Note 10(b))	**38,500**	-	**194,308**	249,194
Net loss and comprehensive loss	**(388,230)**	(261,557)	**(1,511,463)**	(1,276,531)
Basic and diluted loss per share	**$ (0.00)**	$ (0.00)	**$ (0.01)**	$ (0.01)
Weighted average number of common shares outstanding	**113,036,640**	96,887,881	**109,344,735**	96,830,450

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	Deficit	Total equity
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
At February 28, 2019	96,887,881	$ 74,005,932	$ 27,405	$ 6,267,459	$ (59,627,622)	$ 20,673,174
Private placement	2,660,000	532,000	-	-	-	532,000
Private placement - flow-through	9,715,390	2,483,886	-	-	-	2,483,886
Flow-through premium	-	(194,308)	-	-	-	(194,308)
Share issuance costs	-	(71,590)	-	-	-	(71,590)
Share-based compensation	-	-	-	285,523	-	285,523
Exercise of stock options	575,000	179,085	-	(78,085)	-	101,000
Exercise of warrants	3,240,615	860,210	-	-	-	860,210
Shares issued to Klondike Star shareholders	532	74	-	-	-	74
Net loss and comprehensive loss	-	-	-	-	(1,511,463)	(1,511,463)
At November 30, 2019	113,079,418	$ 77,795,289	$ 27,405	$ 6,474,897	$ (61,139,085)	$ 23,158,506

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, 2019 AND 2018
(Expressed in Canadian dollars)
(Unaudited)

	2019	2018
Operating activities		
Net loss	$ (1,511,463)	$ (1,276,531)
Items not involving cash:		
Depreciation	133,568	31,565
Share-based compensation	285,523	541,434
Finance expense	39,816	-
Gain on sale of equipment	-	(81,250)
Other income - flow-through	(194,308)	(249,194)
Changes in non-cash working capital items:		
Amounts receivable	(32,541)	(69,896)
Prepaid expenses and deposits	(64,885)	(39,203)
Due to related parties	-	(24,150)
Trade and other payables	(48,371)	(17,352)
	(1,392,661)	(1,184,577)
Financing activities		
Proceeds on issuance of common shares, net of share issuance costs	2,951,633	-
Proceeds from exercise of stock options	101,000	19,400
Proceeds from exercise of warrants	860,210	10,800
Lease payments	(108,451)	-
	3,804,392	30,200
Investing activities		
Disposition of property and equipment	-	85,500
Exploration and evaluation asset expenditures	(3,242,182)	(3,468,846)
Property and equipment additions	-	(13,300)
Restricted cash	(127)	(115,000)
	(3,242,309)	(3,511,646)
Change in cash and cash equivalents	(830,578)	(4,666,023)
Cash and cash equivalents, beginning	1,266,876	6,534,026
Cash and cash equivalents, end	$ 436,298	$ 1,868,003
Cash and cash equivalents is comprised of:		
Cash	$ 270,769	$ 1,173,046
Cash equivalents	165,529	694,957
	$ 436,298	$ 1,868,003

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 AND GOING CONCERN

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.

These unaudited condensed interim consolidated financial statements have been prepared on the basis of a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. As at November 30, 2019, the Company had working capital of $464,189 and cash and cash equivalents of $436,298. For the nine months ended November 30, 2019, the Company reported a loss of $1,511,463, and an accumulated deficit of $61,139,085 at that date. In May 2019 and September 2019, the Company closed non-brokered private placements for total gross proceeds of $2,245,886 and $770,000, respectively (Note 10(b)). The Company expects it will need to raise additional funds within the next twelve months in order to undertake its currently planned programs for the next year. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company. The uncertainty of the Company’s success in raising additional capital funding casts significant doubt on the Company’s ability to continue as a going concern. These unaudited condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

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.

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 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.

2. BASIS OF PRESENTATION (continued)

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.

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.

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

e) Financial Instruments (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Recently adopted accounting standards

IFRS 16

The Company adopted IFRS 16 Leases ("IFRS 16") on March 1, 2019, which introduces a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Company has elected not to apply IFRS 16 to leases with a term of less than 12 months or leases where the underlying asset is of low value.

The Company adopted IFRS 16 using the modified retrospective approach; therefore the comparative information for 2018 has not been restated.

As at March 1, 2019, the applicable lease consisted of an office lease that had previously been classified as an operating lease. On transition, the lease liability for this lease was measured at the present value of remaining lease payments, discounted at the Company's incremental borrowing rate as of March 1, 2019, which was estimated at 6.5%. The Company elected to measure the right-of-use assets at an amount equal to the lease liability.

On transition to IFRS 16, the Company recognized a right-of-use asset and lease liability for its office lease resulting in an increase to its property and equipment of $846,935 as at March 1, 2019 with a corresponding increase in lease liability. The right-of-use asset is presented as right-of-use asset within property and equipment, and lease liability presented as lease, on the statement of financial position.

A reconciliation of lease commitments as reported at February 28, 2019, to the lease liability recorded at March 1, 2019, is as follows:

Operating lease commitment at February 28, 2019	$	144,016
Additions to lease commitment at March 1, 2019		888,077
Impact of discounting using the incremental borrowing rate at March 1, 2019		(185,158)
Lease liability recognized as at March 1, 2019	$	846,935

The following is the new accounting policy for leases under IFRS 16:

A contract is or contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and if applicable, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The carrying amount of the right-of-use asset is depreciated on a straight-line basis over the life of the lease, which has a remaining term of 5.25 years to February 2025.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than 12 months. Lease payments associated with these leases are instead recognized as an expense over the lease term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Right-of-use assets are presented in the same line item as property and equipment on the statement of financial position as it presents underlying assets of the same nature owned by the Company.

Information about leases for which the Company is a lessee is presented below:

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Right-of-use assets

Balance - March 1, 2019	$ 846,935
Depreciation	(105,867)
Balance - November 30, 2019	$ 741,068

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 had 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 was received, the Company settled 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 November 30, 2019, the Company has paid out $12,125 for 3,464,361 Klondike Star shares tendered by Klondike Star shareholders and issued 13,894 common shares of the Company, with a value of $1,945, for 555,759 Klondike Star shares tendered by Klondike Star shareholders. As at November 30, 2019, the remaining liability is $56,081 (February 28, 2019: $56,256). Subsequent to November 30, 2019, the remaining 15,386,125 rights to convert expired and the remaining liability was written off.

5. RESTRICTED CASH

The Company maintains one-year term deposits, which automatically renew at maturity, as collateral for the credit cards of $165,529 (February 28, 2019 - $165,402). The Company has the ability to cancel its credit cards and receive the term deposits in full at any time.

(Expressed in Canadian dollars)

6. PROPERTY AND EQUIPMENT

Cost	Vehicles	Machinery/ Equipment	Building	Right-of-use asset	Total
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
Additions	-	-	-	846,935	846,935
Balance, November 30, 2019	$ 53,800	$ 124,652	$ 380,000	$ 846,935	$ 1,405,387

Accumulated depreciation	Vehicles	Machinery/ Equipment	Building		Total
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
Depreciation	13,451	-	14,250	105,867	133,568
Balance, November 30, 2019	$ 43,459	$ 124,652	$ 128,250	$ 105,867	$ 402,228

Carrying amount	Vehicles	Machinery/ Equipment	Building		Total
Balance, February 28, 2019	$ 23,792	$ -	$ 266,000	$ -	$ 289,792
Balance, November 30, 2019	$ 10,341	$ -	$ 251,750	$ 741,068	$ 1,003,159

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

	Placer Claims	Quartz Claims	Total
	$	$	$
Acquisition costs:			
Balance, February 28, 2019	1,167,436	4,872,843	6,040,279
Acquisition of Sophie claims	-	12,400	12,400
Balance, November 30, 2019	1,167,436	4,885,243	6,052,679
Exploration costs:			
Balance, February 28, 2019	25,494	13,798,427	13,823,921
Camp supplies	-	138,696	138,696
Consulting & wages	51,626	743,902	795,528
Drilling	-	1,191,674	1,191,674
Fuel	-	109,809	109,809
Lab analysis	-	742,168	742,168
Property maintenance	-	30,108	30,108
Surveying	-	148,100	148,100
Travel	-	53,607	53,607
Balance, November 30, 2019	77,120	16,956,491	17,033,611
Royalty payments received:			
Balance, February 28 and November 30, 2019	(743,335)	-	(743,335)
Total costs:			
Balance, November 30, 2019	501,221	21,841,734	22,342,955

	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

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.

<u>Assignment of Lease on Upper Eldorado Creek Property</u>

In September 2019, the Company entered into a lease agreement with Dulac Mining Ltd (“Dulac Mining”) whereby the Company assigns to Dulac Mining the rights and permits to placer mine on the Upper Eldorado Creek property, contained wholly within the Company’s Klondike District Property, Yukon Territory. Under the terms of the lease agreement, the Company will receive from Dulac Mining a direct 10% gold production royalty from mining on the placer property payable in raw gold. The lease agreement is for a term of 3 years, expiring July 2022, and is renewable thereafter subject to approval by both parties.

<u>Acquisition of Sophie claims</u>

In March 2019, the Company entered into a Property Acquisition Agreement of a 100% interest in mining claims located in the Dawson mining district, Yukon Territory, for consideration of $12,400. The Company has also granted a 1% Net Smelter Returns (“NSR”) Royalty to the vendor in respect of the Sophie claims, of which the Company may purchase one-half of the NSR Royalty (being a 0.5% NSR Royalty) for cash in the amount of $750,000 at any time.

<u>Acquisition of Burkhard claims</u>

During the year ended February 28, 2018, the Company entered into 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.

<u>Acquisition of Gimlex claims</u>

During the year ended February 28, 2017, 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, for consideration of $500,000 in cash and 3,000,000 common shares of the Company. The Company has also granted a 2% Net Smelter Returns (“NSR”) Royalty to the vendor in respect of the Gimlex property, of which the Company may purchase one-half of the NSR Royalty (being a 1% NSR Royalty) for cash in the amount of $1,500,000 at any time.

7. EXPLORATION AND EVALUATION ASSETS (continued)

Assignment of Lease on Montana Creek Placer Project

The Company holds a 100% interest in the Montana Creek Placer Project 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.

Prior to fiscal 2017, the Company received $743,335 in royalty payments pursuant to a lease agreement, which are netted against capitalized exploration and evaluation asset costs on the statements of financial position. 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.

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.

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.

(Expressed in Canadian dollars)

8. LEASE PAYABLE

As at November 30, 2019, lease payable of $778,300 was outstanding, pursuant to the adoption of IFRS 16 (Note 3). The following table summarizes the Company's lease commitment as at November 30, 2019:

Lease Liability

Balance - March 1, 2019	$ 846,935
Lease payments	(108,451)
Finance expense	39,816
Balance - November 30, 2019	$ 778,300

	November 30, 2019
Current lease liability included in lease	$ 123,003
Non-current lease liability included in long-term lease	655,297
Total	$ 778,300

During the nine months ended November 30, 2019, the Company received $40,500 (November 30, 2018 - $45,000) 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.

9. RELATED PARTY BALANCES AND TRANSACTIONS

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

a) During the nine months ended November 30, 2019, the Company was charged management fees of $103,500 (November 30, 2018 - $103,500) by a company owned by the CEO of the Company. Of this amount, $40,250 (February 28, 2019 - $62,100) was included in additions to exploration and evaluation assets on the statements of financial position.

b) During the nine months ended November 30, 2019, the Company was charged $120,159 (November 30, 2018 - $90,000), $30,159 of which was share issue costs (November 30, 2018 - $nil) 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.

9. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Key Management Compensation

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

Included in share-based compensation for the nine months ended November 30, 2019, was $161,184 for vested stock options granted to directors and officers of the Company, and affiliated companies of directors and officers of the Company (November 30, 2018 - $358,517).

10. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value.

b) *Issued during the nine months ended November 30, 2019*

During the nine months ended November 30, 2019, 3,240,615 common shares were issued pursuant to the exercise of warrants (Note 10(c)).

During the nine months ended November 30, 2019, 575,000 common shares were issued pursuant to the exercise of stock options (Note 10(d)).

During the nine months ended November 30, 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 (Note 4).

Non-brokered private placement completed September 2019

The Company issued 1,925,000 flow-through units at a price of $0.40 per flow-through unit for gross proceeds of $770,000. Each flow-through unit consists of one flow-through share and one-half of one warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $0.50 per common share until September 3, 2022. The Company allocated $nil value to the warrants.

A flow-through premium liability of $38,500 was allocated to the flow-through obligation of this private placement, and the remainder of the proceeds were allocated to share capital. As at November 30, 2019, the Company has fulfilled the total obligation of $770,000. The flow-through premium was fully amortized to the statement of net loss and comprehensive loss for the nine months ended November 30, 2019, as other income - flow-through.

Cash transaction costs of $21,537 were incurred as share issuance costs in relation to this private placement.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

Non-brokered private placement completed 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. 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 $0.35 per common share until March 18, 2022. The Company allocated $nil value to the warrants.

A flow-through premium liability of $155,808 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, 2019, the Company has fulfilled the total obligation of $1,713,886. The flow-through premium was fully amortized to the statement of net loss and comprehensive loss for the nine months ended November 30, 2019, as other income - flow-through.

The Company concurrently issued 2,660,000 non flow-through units at a price of $0.20 for gross proceeds of $532,000, which has been allocated to share capital. Each non flow-through unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.35 per common share for a period of 3 years. The Company allocated $nil value to the warrants.

Cash transaction costs of $50,053 were incurred as share issuance costs in relation to this private placement.

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.

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

c) A summary of the changes in warrants follows:

	Number of Warrants	Weighted Average Exercise Price	
Balance, February 28, 2018	20,702,717	$	0.35
Exercised	(54,000)		0.20
Balance, February 28, 2019	20,648,717		0.35
Issued	11,412,890		0.36
Exercised	(3,240,615)		0.20
Expired	(8,221,436)		0.43
Balance, November 30, 2019	20,599,556	$	0.34

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

As at November 30, 2019, the following warrants were outstanding:

Number of Warrants	Exercise Price		Expiry Date
5,575,000	$	0.30	April 4, 2020
2,000,000		0.35	May 31, 2021
1,611,666		0.35	September 13, 2021
9,700,390		0.35	March 18, 2022
750,000		0.35	May 22, 2022
962,500		0.50	September 3, 2022
20,599,556			

During the nine months ended November 30, 2019, 3,240,615 warrants were exercised for total proceeds of $860,210.

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

	Number of Options	Weighted Average Exercise Price	
Balance, February 28, 2019	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
Granted	1,785,000		0.21
Exercised	(575,000)		0.18
Cancelled	(50,000)		0.29
Balance, November 30, 2019	10,006,500	$	0.24

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

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

	2019	2018
Risk-free interest rate	**1.63%**	2.07%
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 November 30, 2019:

Number of Options	**Exercise Price**		**Expiry Date**
1,506,500	$	0.12	December 16, 2024
805,000		0.19	April 19, 2026
685,000		0.28	June 21, 2026
400,000		0.30	September 13, 2026
1,275,000		0.26	April 4, 2027
3,550,000		0.29	March 28, 2028
1,785,000		0.21	May 17, 2029
10,006,500			

During the nine months ended November 30, 2019, 1,785,000 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.

During the nine months ended November 30, 2019, 575,000 stock options were exercised for total proceeds of $101,000.

During the nine months ended November 30, 2019, 50,000 stock options with an exercise price of $0.29 were cancelled.

Subsequent to November 30, 2019, 250,000 stock options were exercised for total proceeds of $51,000.

11. MANAGEMENT OF CAPITAL

The Company manages its cash and cash equivalents and components of equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

11. MANAGEMENT OF CAPITAL (continued)

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, 2019 and 2018.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these unaudited condensed interim consolidated financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

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:

- 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, amounts receivable, reclamation bond, trade and other payables, due to related parties, and lease approximate their carrying value, due to their short-term maturities.

There have been no changes during the nine months ended November 30, 2019, as to how the Company classifies its financial assets and liabilities by FVTPL, FVOCI, and amortized cost upon adoption of IFRS 9.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

As at November 30, 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. The Company's amounts receivable is primarily comprised of amounts owing from the Government of Canada for input tax credits receivable. Accordingly, the Company does not believe it is subject to significant credit risk.

b) Liquidity risk

The liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through careful management of its financial obligations in relation to its cash position. Using budgeting processes, the Company manages its liquidity requirements based on expected cash flow to ensure there are adequate funds to meet the short term obligations during the year.

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 November 30, 2019. The Company does not have any interest bearing debt.

ii) Foreign currency risk

The Company does not transact in currencies other than the Canadian dollar, and is therefore not subject to foreign currency risk.

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.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market prices for metals historically have fluctuated widely and are affected by numerous factors outside of the Company’s control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators.

The Company has elected not to actively manage its commodity price risk, as the nature of Company’s business is in exploration.

Equity price risk is defined as the potential adverse impact on the Company’s earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

13. SUPPLEMENTAL CASH FLOW INFORMATION

During the nine months ended November 30, 2019, the Company:

- Incurred exploration and evaluation asset expenses of $72,920 (February 28, 2019 - $93,012) and share issue costs of $7,338 (February 28, 2019 - $nil) through trade and other payables

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