



# **KLONDIKE GOLD CORP.**

**Condensed Interim  
Consolidated Financial Statements**

**For The Three Months Ended May 31, 2020 and 2019  
(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)

	May 31, 2020	February 29, 2020
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,014,125	\$ 133,949
Restricted cash (Note 4)	165,580	165,580
Amounts receivable	9,022	42,747
Prepaid expenses and deposits	95,646	55,874
<b>Total current assets</b>	<b>1,284,373</b>	<b>398,150</b>
Investments (Note 5, 7(b))	1,101,000	-
Reclamation bond	3,500	3,500
Property and equipment (Note 6)	831,906	869,030
Exploration and evaluation assets (Note 7)	22,585,004	23,104,356
<b>Total assets</b>	<b>\$ 25,805,783</b>	<b>\$ 24,375,036</b>
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	\$ 185,336	\$ 146,697
Lease (Note 8)	108,893	116,764
Flow-through premium (Note 10)	45,469	-
<b>Total current liabilities</b>	<b>339,698</b>	<b>263,461</b>
Long-term lease (Note 8)	525,521	546,134
<b>Total liabilities</b>	<b>865,219</b>	<b>809,595</b>
<b>Equity</b>		
Share capital (Note 10)	79,035,223	77,944,824
Reserves (Note 10)	6,433,867	6,422,106
Deficit	(60,528,526)	(60,801,489)
<b>Total equity</b>	<b>24,940,564</b>	<b>23,565,441</b>
<b>Total liabilities and equity</b>	<b>\$ 25,805,783</b>	<b>\$ 24,375,036</b>

Nature of operations and going concern (Note 1)  
Subsequent event (Note 10(d))

Approved by the Board of Directors and authorized for issue on July 23, 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 INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**  
**FOR THE THREE MONTHS ENDED MAY 31, 2020 AND 2019**  
(Expressed in Canadian dollars)  
(Unaudited)

	<b>2020</b>	<b>2019</b>
<b>Expenses</b>		
Consulting (Note 9)	\$ 44,780	\$ 67,828
Depreciation (Note 6)	37,124	43,113
Management fees and wages (Note 9)	117,486	149,682
Marketing	4,575	93,354
Office and miscellaneous (Note 8)	20,517	19,893
Professional fees	12,884	8,085
Regulatory and transfer agent	12,950	5,472
Share-based compensation	-	285,523
Travel	8,457	18,682
	<b>(258,773)</b>	<b>(691,632)</b>
Finance expense	<b>(10,619)</b>	<b>(13,088)</b>
Interest income	<b>932</b>	<b>13,802</b>
Other income - flow-through (Note 10(b))	<b>6,755</b>	<b>35,260</b>
Unrealized gain on marketable securities (Note 5)	<b>310,000</b>	<b>-</b>
Unrealized gain on warrants (Note 5)	<b>224,668</b>	<b>-</b>
<b>Net income (loss) and comprehensive income (loss)</b>	<b>272,963</b>	<b>(655,658)</b>
<b>Basic and diluted loss per share</b>	<b>\$ 0.00</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>116,189,384</b>	<b>105,746,578</b>

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

# KLONDIKE GOLD CORP.

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

	Share capital		Reserves			Total equity
	Shares issued	Amount	Share premium	Share-based payments	Deficit	
<b>At February 28, 2019</b>	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	7,790,390	1,713,886	-	-	-	1,713,886
Flow-through premium	-	(155,808)	-	-	-	(155,808)
Share issuance costs	-	(53,102)	-	-	-	(53,102)
Share-based compensation	-	-	-	285,523	-	285,523
Exercise of warrants	1,387,286	277,457	-	-	-	277,457
Net loss and comprehensive loss	-	-	-	-	(655,658)	(655,658)
<b>At May 31, 2019</b>	<b>108,725,557</b>	<b>\$ 76,320,365</b>	<b>\$ 27,405</b>	<b>\$ 6,552,982</b>	<b>\$ (60,283,280)</b>	<b>\$ 22,617,472</b>
<b>At February 29, 2020</b>	113,396,918	\$ 77,944,824	\$ 27,405	\$ 6,394,701	\$ (60,801,489)	\$ 23,565,441
Private placement	3,205,643	560,987	-	-	-	560,987
Private placement - flow-through	3,481,579	661,500	-	-	-	661,500
Flow-through premium	-	(52,224)	-	-	-	(52,224)
Share issuance costs	-	(79,864)	-	11,761	-	(68,103)
Net income and comprehensive income	-	-	-	-	272,963	272,963
<b>At May 31, 2020</b>	<b>120,084,140</b>	<b>\$ 79,035,223</b>	<b>\$ 27,405</b>	<b>\$ 6,406,462</b>	<b>\$ (60,528,526)</b>	<b>\$ 24,940,564</b>

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

# KLONDIKE GOLD CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MAY 31, 2020 AND 2019 (Expressed in Canadian dollars) (Unaudited)

	2020	2019
<b>Operating activities</b>		
Net income	\$ 272,963	\$ (655,658)
Items not involving cash:		
Depreciation	37,124	43,113
Share-based compensation	-	285,523
Finance expense	10,619	13,088
Other income - flow-through	(6,755)	(35,260)
Unrealized gain on marketable securities	(310,000)	-
Unrealized gain on warrants	(224,668)	-
Changes in non-cash working capital items:		
Amounts receivable	33,725	7,158
Prepaid expenses and deposits	(39,772)	(209,196)
Trade and other payables	23,387	(153,688)
Lease	(18,490)	-
Long-term lease	(20,614)	-
	(242,481)	(704,920)
<b>Financing activities</b>		
Proceeds on issuance of common shares, net of share issuance costs	1,154,384	2,192,783
Proceeds from exercise of warrants	-	277,457
Lease payments	-	(36,150)
	1,154,384	2,434,091
<b>Investing activities</b>		
Exploration and evaluation asset expenditures	(131,727)	(132,644)
Sale of exploration and evaluation assets	100,000	-
Restricted cash	-	(127)
	(31,727)	(132,771)
Change in cash and cash equivalents	880,176	1,596,400
Cash and cash equivalents, beginning	133,949	1,266,876
<b>Cash and cash equivalents, end</b>	<b>\$ 1,014,125</b>	<b>\$ 2,863,276</b>
<b>Cash and cash equivalents is comprised of:</b>		
Cash	\$ 1,014,125	\$ 2,161,943
Cash equivalents	-	701,333
	<b>\$ 1,014,125</b>	<b>\$ 2,863,276</b>

Supplemental cash flow information (Note 13)

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

# **KLONDIKE GOLD CORP.**

## **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MAY 31, 2020 AND 2019**

**(Expressed in Canadian dollars)  
(Unaudited)**

### **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 May 31, 2020, the Company had working capital of \$944,675 (February 29, 2020: \$134,689) and cash and cash equivalents of \$1,014,125 (February 29, 2020: \$133,949). For the three months ended May 31, 2020, the Company reported net income of \$272,963, and an accumulated deficit of \$60,528,526 at that date. In April 2020, the Company closed a non-brokered private placement for total gross proceeds of \$1,222,487 (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 material 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 financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value. In addition, these unaudited condensed interim 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.

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MAY 31, 2020 AND 2019 (Expressed in Canadian dollars) (Unaudited)

### 2. BASIS OF PRESENTATION (continued)

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

#### d) Basis of Consolidation

##### Subsidiaries

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

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) 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, amounts receivable, reclamation bond, trade and other payables, and lease 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. Investments are classified as and measured at FVTPL.

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.



# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MAY 31, 2020 AND 2019 (Expressed in Canadian dollars) (Unaudited)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### b) New accounting standards and interpretations

There are no new or upcoming accounting standards that are expected to have a material impact on the Company's financial statements.

### 4. RESTRICTED CASH

The Company maintains one-year term deposits as collateral for the credit cards, which automatically renew at maturity, of \$165,580 (February 29, 2020 - \$165,580). The Company has the ability to cancel its credit cards and receive the term deposits in full at any time.

### 5. INVESTMENTS

	As of May 31, 2020		As of February 29, 2020	
	Shares	Fair Value	Shares	Fair Value
Ximen Mining Corp. shares (Note 7(b))	1,000,000	\$ 720,000	-	\$ -
Ximen Mining Corp. warrants (Note 7(b))	1,000,000	381,000	-	-
		<b>\$ 1,101,000</b>		<b>\$ -</b>

During the three months ended May 31, 2020, the Company received 1,000,000 common shares and 1,000,000 warrants from Ximen Mining Corp. ("Ximen"), exercisable at \$0.45 per common share until March 5, 2022 (Note 7(b)). The fair value of the warrants on receipt was \$156,332, or \$0.156 per warrant. The Black-Scholes fair value of the warrants as of May 31, 2020, was \$381,000, or \$0.381 per warrant, using the following assumptions:

	2020
Risk-free interest rate	0.26%
Expected life	1.76 years
Annualized volatility	75.00%
Dividend rate	0.00%

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MAY 31, 2020 AND 2019 (Expressed in Canadian dollars) (Unaudited)

### 6. PROPERTY AND EQUIPMENT

<b>Cost</b>		<b>Vehicles</b>	<b>Machinery/ Equipment</b>	<b>Building</b>	<b>Right-of-use asset</b>	<b>Total</b>
Balance, February 28, 2019	\$	53,800	\$ 124,652	\$ 380,000	\$ -	\$ 558,452
Additions		-	-	-	739,400	739,400
Balance February 29 and May 31, 2020	\$	53,800	\$ 124,652	\$ 380,000	\$ 739,400	\$ 1,297,852

#### **Accumulated depreciation**

Balance, February 28, 2019	\$	30,008	\$ 124,652	\$ 114,000	\$ -	\$ 268,660
Depreciation		17,934	-	19,000	123,228	160,162
Balance, February 29, 2020		47,942	124,652	133,000	123,228	428,822
Depreciation		1,567	-	4,750	30,807	37,124
Balance May 31, 2020	\$	49,509	\$ 124,652	\$ 137,750	\$ 154,035	\$ 465,946

#### **Carrying amount**

Balance, February 29, 2020	\$	5,858	\$ -	\$ 247,000	\$ 616,172	\$ 869,030
Balance May 31, 2020	\$	4,291	\$ -	\$ 242,250	\$ 585,365	\$ 831,906

### 7. EXPLORATION AND EVALUATION ASSETS

	British Columbia Claims	Placer Claims	Quartz Claims	Total
		\$	\$	\$
<b>Acquisition costs:</b>				
Balance, February 29, 2020 and May 31, 2020	-	1,167,436	4,885,243	6,052,679
<b>Exploration costs:</b>				
Balance, February 29, 2020	666,332	77,120	17,051,560	17,795,012
Camp supplies	-	-	8,308	8,308
Consulting & wages	-	-	72,754	72,754
Drilling	-	-	42,640	42,640
Fuel	-	-	4,202	4,202
Lab analysis	-	-	16,875	16,875
Property maintenance	-	-	2,201	2,201
Sale of British Columbia Claims (Note 7(b))	(666,332)	-	-	(666,332)
Balance, May 31, 2020	-	77,120	17,198,540	17,275,660
<b>Royalty payments received:</b>				
Balance, February 29, 2020 and May 31, 2020	-	(743,335)	-	(743,335)
<b>Total costs:</b>				
Balance, May 31, 2020	-	501,221	22,083,783	22,585,004

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MAY 31, 2020 AND 2019 (Expressed in Canadian dollars) (Unaudited)

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

	British Columbia Claims	Placer Claims	Quartz Claims	Total
		\$	\$	\$
<b>Acquisition costs:</b>				
Balance, February 28, 2019	-	1,167,436	4,872,843	6,040,279
Acquisition of Sophie claims	-	-	12,400	12,400
Balance, February 29, 2020	-	1,167,436	4,885,243	6,052,679
<b>Exploration costs:</b>				
Balance, February 28, 2019	-	25,494	13,798,427	13,823,921
Camp supplies	-	-	140,141	140,141
Consulting & wages	-	51,626	819,708	871,334
Drilling	-	-	1,191,674	1,191,674
Fuel	-	-	114,339	114,339
Lab analysis	-	-	742,168	742,168
Property maintenance	-	-	33,112	33,112
Surveying	-	-	157,400	157,400
Travel	-	-	54,591	54,591
Reversal of impairment	666,332	-	-	666,332
Balance, February 29, 2020	666,332	77,120	17,051,560	17,795,012
<b>Royalty payments received:</b>				
Balance, February 28 and February 29, 2020	-	(743,335)	-	(743,335)
<b>Total costs:</b>				
Balance, February 29, 2020	666,332	501,221	21,936,803	23,104,356

#### 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.

#### Assignment of Lease on Upper Eldorado Creek Property

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.

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MAY 31, 2020 AND 2019 (Expressed in Canadian dollars) (Unaudited)

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

#### Acquisition of Sophie claims

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.

#### Acquisition of Burkhard claims

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.

#### Acquisition of Gimlex claims

During the year ended February 28, 2017, the Company entered into a Property Acquisition 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 with a value of \$1,200,000. 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.

#### 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 held title to a portfolio of mineral claims in south-eastern B.C., prospective for gold and base metals. In May 2020, the Company completed a Property Purchase Agreement (the "Agreement") dated February 14, 2020, with Ximen, whereby the Company sold to Ximen all of its B.C. properties totalling 98 mineral claims and one Crown Granted mineral claim. The Agreement covers four properties, namely Ron Gold (Nelson), Clubine, Hughes, and Quartz Mountain.

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MAY 31, 2020 AND 2019 (Expressed in Canadian dollars) (Unaudited)

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

The terms for the Agreement were as follows:

- Payment of \$100,000 in cash (completed); and
- Payment of 1,000,000 Ximen common shares and 1,000,000 Ximen warrants to purchase 1,000,000 common shares of Ximen at \$0.45 per share until March 5, 2022 (completed). The 1,000,000 common shares were valued at \$0.41, being the closing price of Ximen on March 5, 2020, and the warrants were valued at \$156,332 (Note 5), for total consideration of \$566,332.

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.

### 8. LEASE PAYABLE

As at May 31, 2020, lease payable of \$634,414 was outstanding, pursuant to the adoption of IFRS 16 Leases. 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 4.75 years to February 2025.

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

##### Right-of-use assets

Balance - February 29, 2020	\$ 616,172
Depreciation	(30,807)
Balance - May 31, 2020	\$ 585,365

The following table summarizes the Company's lease commitment:

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MAY 31, 2020 AND 2019 (Expressed in Canadian dollars) (Unaudited)

### 8. LEASE PAYABLE (continued)

Balance - February 29, 2020	\$ 662,898
Lease payments	(39,104)
Finance expense	10,619
Balance - May 31, 2020	\$ 634,414
<hr/>	
Current lease liability included in lease	\$ 108,893
Non-current lease liability included in long-term lease	525,521
Total	\$ 634,414

During the three months ended May 31, 2020, the Company received \$17,100 (May 31, 2019 - \$13,500) in rental income relating to subleases of its office premises to third parties that is recorded as a recovery of rent expense, included in office and miscellaneous in profit or loss. The Company classified these subleases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the rights to use the underlying assets.

The following table summarizes the Company's undiscounted lease payments:

	May 31, 2020
Short-term portion of the lease (<1 Year)	\$ 157,025
Long-term portion of the lease (>1 Year)	583,631
Total	\$ 740,656

### 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 three months ended May 31, 2020, the Company was charged management fees of \$34,500 (May 31, 2019 - \$34,500) by a company owned by the CEO of the Company. Of this amount, \$9,200 (February 29, 2020 - \$41,400) was included in additions to exploration and evaluation assets on the statements of financial position.
- b) During the three months ended May 31, 2020, the Company was charged \$42,225 (May 31, 2019 - \$31,500), \$12,225 of which was share issue costs (May 31, 2019 - \$1,500) by a company whose CEO is a director of the Company, for corporate administration services included in consulting in profit or loss.

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MAY 31, 2020 AND 2019 (Expressed in Canadian dollars) (Unaudited)

### 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 three months ended May 31, 2020, was \$nil for vested stock options granted to directors and officers of the Company, and affiliated companies of directors and officers of the Company (May 31, 2019 - \$161,484).

### 10. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value.

b) *Issued during the three months ended May 31, 2020*

#### Non-brokered private placement completed April 2020

The Company issued 3,481,579 flow-through units at a price of \$0.19 per flow-through unit for gross proceeds of \$661,500. Each flow-through unit consists of one flow-through common share and one warrant exercisable at \$0.25 per common share until April 23, 2022 (Note 10(c)). The Company allocated \$nil value to the warrants.

A flow-through premium liability of \$52,224 was allocated to the flow-through obligation of this private placement, and the remainder of the proceeds were allocated to share capital. As at May 31, 2019, the Company has incurred eligible expenditures of \$85,544 of the total obligation of \$661,500, leaving a flow-through premium liability of \$45,470.

The Company concurrently issued 3,205,643 non flow-through units at a price of \$0.175 per non flow-through unit for gross proceeds of \$560,987. Each non flow-through unit consists of one common share and one warrant exercisable at \$0.25 per common share until April 23, 2022 (Note 10(c)). The Company allocated \$nil value to the warrants.

Cash transaction costs of \$68,103 were incurred as share issuance costs, and 157,895 warrants were issued as a finder's fee, exercisable at \$0.25 per common share until April 23, 2022, with a value of \$11,761 in relation to this private placement (Note 10(c)). The finders warrants were fair valued using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of \$0.25; ii) expected share price volatility of 75%; iii) risk-free interest rate of 0.33%; iv) expected life of 2 years; v) no dividend yield.

c) A summary of the changes in warrants follows:

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MAY 31, 2020 AND 2019 (Expressed in Canadian dollars) (Unaudited)

### 10. SHARE CAPITAL (continued)

	Number of Warrants	Weighted Average Exercise Price
Balance, February 28, 2019	20,648,717	\$ 0.35
Issued	11,412,890	0.36
Exercised	(3,240,615)	0.27
Expired	(8,221,436)	0.43
Balance, February 29, 2020	20,599,556	0.34
Issued	6,845,117	0.25
Balance, May 31, 2020	27,444,673	\$ 0.32

As at May 31, 2020, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
2,000,000	\$ 0.35	May 31, 2021
1,611,666	0.35	September 13, 2021
9,700,390	0.35	March 18, 2022
5,575,000	0.30	April 4, 2022
6,687,222	0.25	April 23, 2022
157,895	0.25	April 23, 2022
750,000	0.35	May 22, 2022
962,500	0.50	September 3, 2022
<b>27,444,673</b>		

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	8,846,500	\$ 0.24
Granted	1,785,000	0.21
Exercised	(892,500)	0.18
Cancelled	(50,000)	0.29
Expired	(57,500)	0.29
Balance February 29 and May 31, 2020	9,631,500	\$ 0.24



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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MAY 31, 2020 AND 2019 (Expressed in Canadian dollars) (Unaudited)

### 10. SHARE CAPITAL (continued)

The following summarizes stock options outstanding and exercisable as at May 31, 2020:

Number of Options	Exercise Price	Expiry Date
1,406,500	\$ 0.12	December 16, 2024
805,000	0.19	April 19, 2026
660,000	0.28	June 21, 2026
400,000	0.30	September 13, 2026
1,125,000	0.26	April 4, 2027
3,450,000	0.29	March 28, 2028
1,785,000	0.21	May 17, 2029
<u>9,631,500</u>		

In July 2020, 112,000 stock options with an exercise price of \$0.12 were exercised for proceeds of \$13,440.

### 11. MANAGEMENT OF CAPITAL

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash on deposit in an interest bearing Canadian chartered bank account.

The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the periods presented.

### 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.

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MAY 31, 2020 AND 2019 (Expressed in Canadian dollars) (Unaudited)

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

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, and lease approximate their carrying value, due to their short-term maturities. Common shares of publicly traded companies included in investments are classified as FVTPL and measured using Level 1 inputs. Warrants of publicly traded companies included in investments are classified as FVTPL and measured using Level 2 inputs.

As at the date of this report, 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:

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MAY 31, 2020 AND 2019 (Expressed in Canadian dollars) (Unaudited)

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

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 the date of this report. The Company does not have any interest bearing debt.

ii) Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Company's functional currency. The Company's purchases are predominantly transacted in Canadian dollars.

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.

The Company is exposed to price risk with respect to its investments in Ximen (Note 5).

### 13. SUPPLEMENTAL CASH FLOW INFORMATION

During the three months ended May 31, 2020, the Company:

- Incurred exploration and evaluation asset expenses of \$29,821 (February 29, 2020 - \$14,570) through trade and other payables.
- Received 1,000,000 common shares from Ximen with a value of \$410,000 and 1,000,000 warrants from Ximen valued at \$156,332, pursuant to the Agreement, for total non-cash consideration of \$566,332 (Note 7(b)).

# KLONDIKE GOLD CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MAY 31, 2020 AND 2019 (Expressed in Canadian dollars) (Unaudited)

### 13. SUPPLEMENTAL CASH FLOW INFORMATION (continued)

- No cash was paid for interest or income taxes during the three months ended May 31, 2020 and 2019.

### 14. COVID-19 UNCERTAINTY

Since March 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. As at the date of this report, the Company has not been significantly impacted by the spread of COVID-19.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.