



# **KLONDIKE GOLD CORP.**

## **Financial Statements**

**Years Ended February 28, 2023 and 2022  
(Expressed in Canadian Dollars)**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Klondike Gold Corp.

### *Opinion*

We have audited the accompanying financial statements of Klondike Gold Corp. (the "Company"), which comprise the statements of financial position as at February 28, 2023 and 2022, and the statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2023 and 2022, 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 audit 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 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 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 audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the financial statements, which indicates that the Company had a working capital deficit of \$1,082, the Company reported a loss and comprehensive loss of \$1,029,828, and had an accumulated deficit of \$63,775,279 at that date. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

### *Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")*

As described in Note 7 to the financial statements, the carrying amount of the Company's E&E Assets was \$28,624,402 as of February 28, 2023. As more fully described in Note 3 to the financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.



The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Asset.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity.
- Assessing compliance with a agreement including reviewing a agreement and vouching share issuance.
- Obtaining, on a test basis, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

### ***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 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements***

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

In preparing the 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 Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Catherine Tai.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

June 27, 2023

# KLONDIKE GOLD CORP.

## STATEMENTS OF FINANCIAL POSITION (Expressed in Canadian dollars)

	February 28, 2023	February 28, 2022
<b>Assets</b>		
Current assets		
Cash	\$ 115,785	\$ 2,670,335
Restricted cash (Note 4)	69,000	165,961
Amounts receivable	151,447	145,704
Prepaid expenses and deposits	16,330	116,650
<b>Total current assets</b>	<b>352,562</b>	<b>3,098,650</b>
Investments (Note 5)	4,500	5,850
Reclamation bond	3,500	3,500
Property and equipment (Note 6)	436,488	578,716
Exploration and evaluation assets (Note 7)	28,624,402	26,301,162
<b>Total assets</b>	<b>\$ 29,421,452</b>	<b>\$ 29,987,878</b>
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	\$ 205,614	\$ 63,579
Due to related parties (Note 9)	-	26,250
Lease liability (Note 8)	148,030	123,789
Flow-through premium (Note 10)	-	223,593
<b>Total current liabilities</b>	<b>353,644</b>	<b>437,211</b>
Long-term lease liability (Note 8)	160,460	308,490
<b>Total liabilities</b>	<b>514,104</b>	<b>745,701</b>
<b>Equity</b>		
Share capital (Note 10)	85,571,442	85,124,258
Reserves (Note 10)	7,111,185	6,863,370
Deficit	(63,775,279)	(62,745,451)
<b>Total equity</b>	<b>28,907,348</b>	<b>29,242,177</b>
<b>Total liabilities and equity</b>	<b>\$ 29,421,452</b>	<b>\$ 29,987,878</b>

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

Approved by the Board of Directors and authorized for issue on June 27, 2023:

\_\_\_\_\_/s/ Peter Tallman\_\_\_\_\_  
Director

\_\_\_\_\_/s/ Gordon Keep\_\_\_\_\_  
Director

*The accompanying notes are an integral part of these financial statements*

# KLONDIKE GOLD CORP.

## STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (Expressed in Canadian dollars)

	Years ended February 28,	
	2023	2022
<b>Expenses</b>		
Consulting (Note 9)	\$ 216,998	\$ 252,064
Depreciation (Note 6)	142,228	143,194
Management fees and wages (Note 9)	363,052	229,815
Marketing	106,811	86,597
Office and miscellaneous (Note 8)	77,660	76,630
Professional fees	39,389	41,935
Regulatory and transfer agent	56,506	67,731
Share-based compensation (Notes 9,10)	247,815	-
Travel	8,715	12,806
	<b>(1,259,174)</b>	<b>(910,772)</b>
Finance expense (Note 8)	(24,058)	(31,758)
Interest income	22,861	11,669
Other income - flow-through (Note 10)	231,893	406,841
Gain (loss) on sale of marketable securities (Note 5)	-	(51,959)
Unrealized gain (loss) on marketable securities (Note 5)	(1,350)	15,337
Unrealized gain (loss) on warrants (Note 5)	-	(67,000)
<b>Loss and comprehensive loss</b>	<b>(1,029,828)</b>	<b>(627,642)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>152,613,273</b>	<b>139,713,212</b>

*The accompanying notes are an integral part of these financial statements*

# KLONDIKE GOLD CORP.

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

	Shares issued	Share capital	Reserves			Total equity
			Share premium	Share-based payments	Deficit	
<b>At February 28, 2021</b>	133,694,176	\$ 82,137,236	\$ 27,405	\$ 6,802,687	\$ (62,117,809)	\$ 26,849,519
Private placement	6,409,866	1,121,727	-	-	-	1,121,727
Private placement - flow-through	11,975,000	2,395,000	-	-	-	2,395,000
Flow-through premium	-	(299,375)	-	-	-	(299,375)
Share issuance costs	-	(230,330)	-	33,278	-	(197,052)
Loss and comprehensive loss	-	-	-	-	(627,642)	(627,642)
<b>At February 28, 2022</b>	152,079,042	\$ 85,124,258	\$ 27,405	\$ 6,835,965	\$ (62,745,451)	\$ 29,242,177
<b>At February 28, 2022</b>	152,079,042	\$ 85,124,258	\$ 27,405	\$ 6,835,965	\$ (62,745,451)	\$ 29,242,177
Private placement	166,000	24,900	-	-	-	24,900
Private placement - flow-through	3,275,000	327,500	-	-	-	327,500
Flow-through premium	-	(8,300)	-	-	-	(8,300)
Share issuance costs	-	(6,916)	-	-	-	(6,916)
Share-based compensation	-	-	-	247,815	-	247,815
Shares issued for the acquisition of E&E assets	1,000,000	110,000	-	-	-	110,000
Loss and comprehensive loss	-	-	-	-	(1,029,828)	(1,029,828)
<b>At February 28, 2023</b>	156,520,042	\$ 85,571,442	\$ 27,405	\$ 7,083,780	\$ (63,775,279)	\$ 28,907,348

*The accompanying notes are an integral part of these financial statements*

# KLONDIKE GOLD CORP.

## STATEMENTS OF CASH FLOWS (Expressed in Canadian dollars)

	Years ended February 28,	
	2023	2022
<b>Operating activities</b>		
Loss	\$ (1,029,828)	\$ (627,642)
Items not involving cash:		
Depreciation	142,228	143,194
Finance expense	24,058	31,758
Share-based compensation	247,815	-
Accrued interest income	-	(381)
Other income - flow-through	(231,893)	(406,841)
Loss (gain) on sale of marketable securities	-	51,959
Unrealized loss (gain) on marketable securities	1,350	(15,337)
Unrealized loss (gain) on warrants	-	67,000
Changes in non-cash working capital items:		
Amounts receivable	24,254	(26,019)
Prepaid expenses and deposits	100,320	7,673
Trade and other payables	86,223	(32,614)
Due to related parties	(26,250)	26,250
	<b>(661,723)</b>	<b>(781,000)</b>
<b>Financing activities</b>		
Proceeds on issuance of common shares, net of share issuance costs	345,484	3,319,675
Lease payments	(147,847)	(145,613)
	<b>197,637</b>	<b>3,174,062</b>
<b>Investing activities</b>		
Exploration and evaluation asset expenditures	(2,187,425)	(2,630,928)
Restricted cash	96,961	-
Sale of marketable securities	-	54,846
	<b>(2,090,464)</b>	<b>(2,576,082)</b>
Change in cash	<b>(2,554,550)</b>	<b>(183,020)</b>
Cash, beginning	<b>2,670,335</b>	<b>2,853,355</b>
<b>Cash, end</b>	<b>\$ 115,785</b>	<b>\$ 2,670,335</b>
<b>Non-cash financing and investing activities</b>		
Exploration costs incurred through trade and other payables	\$ 97,495	\$ 41,683
Shares issued for the acquisition of E&E assets	\$ 110,000	\$ -

The accompanying notes are an integral part of these financial statements



# KLONDIKE GOLD CORP.

## NOTES TO THE FINANCIAL STATEMENTS

February 28, 2023

(Expressed in Canadian dollars)

### 1. NATURE OF OPERATIONS AND GOING CONCERN

Klondike Gold Corp. (the "Company") is a Vancouver-based resource exploration company listed on the TSX Venture Exchange under the symbol "KG". 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 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 February 28, 2023, the Company had a working capital deficit of \$1,082 (February 28, 2022 - \$2,661,439) and cash of \$115,785 (February 28, 2022 - \$2,670,335). For the year ended February 28, 2023, the Company reported loss and comprehensive loss of \$1,029,828, and had an accumulated deficit of \$63,775,279 at that date (February 28, 2022 - \$62,745,451). 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 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.

In May 2023, the Company completed its non-brokered private placement raising \$2,618,930, of which \$1,616,825 is flow-through funds (Note 10).

### 2. BASIS OF PRESENTATION

#### a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

#### b) Basis of Measurement

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

# KLONDIKE GOLD CORP.

## NOTES TO THE FINANCIAL STATEMENTS February 28, 2023 (Expressed in Canadian dollars)

of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

### d) Significant Accounting Judgements and Estimates

The preparation of these 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 financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 options granted, and the number of stock options expected to vest. These estimates affect the amount recognized as share-based compensation in profit or loss. For the year ended February 28, 2023, the Company recognized \$247,815 in share-based compensation expense (2022 - \$nil).

#### Critical accounting judgments

In the preparation of these 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 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.

# KLONDIKE GOLD CORP.

## NOTES TO THE FINANCIAL STATEMENTS February 28, 2023 (Expressed in Canadian dollars)

### *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.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### a) Financial Instruments

Financial assets and financial liabilities are classified into three categories: amortized cost, fair value through other comprehensive income 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, restricted cash, amounts receivable, reclamation bond, trade and other payables, due to related parties, 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.

#### *Impairment*

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference

between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

# KLONDIKE GOLD CORP.

## NOTES TO THE FINANCIAL STATEMENTS February 28, 2023 (Expressed in Canadian dollars)

### b) 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 at the end of each reporting period or 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.

### c) 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:

Vehicles	3 years, straight line basis
Building	20 years, straight line basis
ROU asset	Over the term of the lease

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.

# KLONDIKE GOLD CORP.

## NOTES TO THE FINANCIAL STATEMENTS February 28, 2023 (Expressed in Canadian dollars)

### d) Impairment of Non-Financial Assets

Impairment tests on non-financial assets, including exploration and evaluation assets and property and equipment 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 assets policy in Note 3(b) above specifically discusses impairment factors.

### e) Lease

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.

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 shorter of the lease term or the useful life of the underlying asset.

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

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## NOTES TO THE FINANCIAL STATEMENTS February 28, 2023 (Expressed in Canadian dollars)

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.

### f) 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.

At February 28, 2023 and 2022, the Company did not incur any such obligations.

### g) Share Capital

#### i) Valuation of equity units issued in private placements

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. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

#### 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

# KLONDIKE GOLD CORP.

## NOTES TO THE FINANCIAL STATEMENTS

February 28, 2023

(Expressed in Canadian dollars)

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.

### iii) Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of stock 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 stock options vest. The fair value of the stock options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the stock 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.

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.

### h) 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

# KLONDIKE GOLD CORP.

## NOTES TO THE FINANCIAL STATEMENTS February 28, 2023 (Expressed in Canadian dollars)

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.

### i) 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.

### j) Accounting Standards, Amendments and Interpretations Not Yet Adopted

Accounting standards and amendments to existing accounting standards that have been issued and have future effective dates that are not applicable or are not expected to have a significant 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 \$69,000 as at February 28, 2023 (February 28, 2022 - \$165,961). The Company has the ability to cancel its credit cards and receive the term deposits in full at any time.

## 5. INVESTMENTS

	As of February 28, 2023		As of February 28, 2022	
	Number of shares/warrants	Fair Value	Number of shares/warrants	Fair Value
Ximen Mining Corp. shares	30,000	\$ 4,500	30,000	\$ 5,850
Ximen Mining Corp. warrants	-	-	1,000,000	-
		\$ 4,500		\$ 5,850

During the year ended February 28, 2021, 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. During the year ended February 28, 2023, the 1,000,000 Ximen warrants expired. The fair value of the shares remaining as at February 28, 2023, was \$4,500 (February 28, 2022 - \$5,850).



# KLONDIKE GOLD CORP.

## NOTES TO THE FINANCIAL STATEMENTS February 28, 2023 (Expressed in Canadian dollars)

### 6. PROPERTY AND EQUIPMENT

	Vehicles	Building	Right-of-use asset	Total
<b>Cost</b>				
Balance February 28, 2021, February 28, 2022, and February 28, 2023	\$ 53,800	\$ 380,000	\$ 739,400	\$ 1,173,200
<b>Accumulated depreciation</b>				
Balance, February 28, 2021	\$ 52,834	\$ 152,000	\$ 246,456	\$ 451,290
Depreciation	966	19,000	123,228	143,194
Balance February 28, 2022	53,800	171,000	369,684	594,484
Depreciation	-	19,000	123,228	142,228
Balance February 28, 2023	\$ 53,800	\$ 190,000	\$ 492,912	\$ 736,712
<b>Carrying amount</b>				
Balance, February 28, 2022	\$ -	\$ 209,000	\$ 369,716	\$ 578,716
Balance February 28, 2023	\$ -	\$ 190,000	\$ 246,488	\$ 436,488

### 7. EXPLORATION AND EVALUATION ASSETS

	Placer Claims	Quartz Claims	Total
	\$	\$	\$
<b>Acquisition costs:</b>			
Balance, February 28, 2022	1,167,436	4,885,243	6,052,679
Acquisition of C2C claims	-	110,000	110,000
Balance, February 28, 2023	1,167,436	4,995,243	6,162,679
<b>Exploration costs:</b>			
Balance, February 28, 2022	77,120	21,016,934	21,094,054
Camp supplies	-	74,505	74,505
Consulting & wages	-	610,871	610,871
Drilling	-	896,737	896,737
Fuel	-	113,089	113,089
Lab analysis	-	309,908	309,908
Property maintenance	-	67,771	67,771
Surveying	-	107,936	107,936
Travel	-	62,420	62,420
Balance, February 28, 2023	77,120	23,260,171	23,337,291
<b>Royalty payments:</b>			
Balance, February 28, 2023	(875,568)	-	(875,568)
<b>Total costs:</b>			
Balance, February 28, 2023	368,988	28,255,414	28,624,402

# KLONDIKE GOLD CORP.

## NOTES TO THE FINANCIAL STATEMENTS February 28, 2023 (Expressed in Canadian dollars)

	Placer Claims	Quartz Claims	Total
	\$	\$	\$
<b>Acquisition costs:</b>			
Balance, February 28, 2021 and February 28, 2022	1,167,436	4,885,243	6,052,679
<b>Exploration costs:</b>			
Balance, February 28, 2021	77,120	18,386,560	18,463,680
Camp supplies	-	97,469	97,469
Consulting & wages	-	728,880	728,880
Drilling	-	1,099,850	1,099,850
Fuel	-	82,163	82,163
Lab analysis	-	427,582	427,582
Property maintenance	-	37,765	37,765
Surveying	-	127,249	127,249
Travel	-	29,416	29,416
Balance, February 28, 2022	77,120	21,016,934	21,094,054
<b>Royalty payments:</b>			
Balance, February 28, 2022	(845,571)	-	(845,571)
<b>Total costs:</b>			
Balance, February 28, 2022	398,985	25,902,177	26,301,162

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 C2C claims

During fiscal 2023, the Company entered into a property acquisition agreement with C2C Gold Corp. ("C2C") for the purchase by the Company of a 100% interest in C2C's mining claims located in the Dawson mining district, Yukon Territory, for consideration of 1,000,000 common shares of the Company with a value of \$110,000. The Company has also granted a 1% net smelter returns ("NSR") royalty to the vendor in respect of the C2C claims, of which the Company may purchase one-half of the NSR royalty (being a 0.5% NSR royalty) for \$500,000 cash at any time. The claims each have underlying 2% NSR royalty obligations where the Company has the right to purchase one-half (being 1% of each NSR royalty) for \$1,000,000 cash and has a right of first refusal to purchase the remaining 1% NSR royalty.

# KLONDIKE GOLD CORP.

## NOTES TO THE FINANCIAL STATEMENTS February 28, 2023 (Expressed in Canadian dollars)

### 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. As at February 28, 2023, the Company has accrued \$132,233 in royalty payments from Dulac Mining which was netted against capitalized exploration and evaluation asset costs (February 28, 2022 - \$102,236).

### Acquisition of Sophie claims

During fiscal 2020, 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% 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 fiscal 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% 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 fiscal 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% 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 Territory. 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.

# KLONDIKE GOLD CORP.

## NOTES TO THE FINANCIAL STATEMENTS February 28, 2023 (Expressed in Canadian dollars)

### b) Net Smelter Returns

#### Ontario Claims

The Company holds a 100% interest in the property subject to a 2% NSR royalty of which half can be purchased for \$1,000,000 at any time. The carrying value was written-down to \$nil during fiscal 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 royalty over the Portuguese exploration licenses, of which Medgold Resource Ltd., a subsidiary of Medgold Resources Corp., may purchase all or parts of the NSR royalty for \$1,000,000 per percentage point.

#### British Columbia ("B.C.") Claims

The Company retains a royalty equal to 1% of NSR royalty from minerals produced from its Vine Extension Property, sold to PJX Resources Inc. in fiscal 2014.

## 8. LEASE PAYABLE

As at February 28, 2023, lease payable of \$308,490 was outstanding. 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 term of six years to February 2025.

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

#### *Right-of-use asset*

Balance - February 28, 2021	\$ 492,944
Depreciation	(123,228)
Balance - February 28, 2022	369,716
Depreciation	(123,228)
Balance - February 28, 2023	\$ 246,488

# KLONDIKE GOLD CORP.

## NOTES TO THE FINANCIAL STATEMENTS February 28, 2023 (Expressed in Canadian dollars)

The following table summarizes the Company's lease commitment:

Balance - February 28, 2021	\$ 546,134
Lease payments	(145,613)
Finance expense	31,758
Balance - February 28, 2022	432,279
Lease payments	(147,847)
Finance expense	24,058
Balance - February 28, 2023	\$ 308,490
<hr/>	
Current lease liability included in lease	\$ 148,030
Non-current lease liability included in long-term lease	160,460
Total	\$ 308,490

During the year ended February 28, 2023, the Company received \$42,150 (2022 - \$34,200) 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:

	February 28, 2023
Short-term portion of the lease (<1 Year)	\$ 163,724
Long-term portion of the lease (>1 Year)	166,160
Total	\$ 329,884

### 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 year ended February 28, 2023, the Company was charged management fees of \$150,000 (2022 - \$150,000) by a company owned by the CEO of the Company. Of this amount, \$92,500 (2022 - \$112,500) was included in additions to exploration and evaluation assets on the statements of financial position. As at February 28, 2023, \$nil was payable to this company (February 28, 2022 - \$26,250).
- b) During the year ended February 28, 2023, the Company was charged \$123,524 (2022 - \$155,167) \$3,524 of which was share issue costs (2022 - \$35,167) by a company whose CEO is a director of the Company, for corporate administration services included in consulting on the statements of loss and comprehensive loss.

# KLONDIKE GOLD CORP.

## NOTES TO THE FINANCIAL STATEMENTS February 28, 2023 (Expressed in Canadian dollars)

### 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.

There was \$162,032 for vested stock options granted to directors and officers of the Company, and affiliated companies of directors and officers of the Company, included in share-based compensation during the year ended February 28, 2023 (2022 - \$nil).

### 10. SHARE CAPITAL

- a) Authorized: Unlimited common shares without par value.
- b) Issued during the year ended February 28, 2023

The Company issued 166,000 flow-through units, comprised of one flow-through common share and one warrant, at a price of \$0.15 per flow-through unit for gross proceeds of \$24,900.

A flow-through premium liability of \$8,300 was allocated to the flow-through obligation of this private placement, and the remainder of the proceeds were allocated to share capital. As at February 28, 2023, the Company has fulfilled the total obligation of \$24,900 and the flow-through premium has been fully amortized to loss and comprehensive loss as other income - flow-through. During the year ended February 28, 2023, the Company recognized \$8,300 (2022 - \$nil) in other income - flow-through relating to this obligation.

The Company also issued 3,275,000 non-flow-through units, comprised of one common share and one warrant, at a price of \$0.10 per non-flow-through unit for gross proceeds of \$327,500. The 3,441,000 warrants issued are exercisable at \$0.20 per common share until December 30, 2024, or January 24, 2025 (Note 10(c)). The Company allocated \$nil value to the warrants.

Cash transaction costs of \$6,916 were incurred as share issuance costs in relation to this private placement.

#### Non-brokered private placement completed May 2023

Subsequent to February 28, 2023, the Company issued 14,059,348 flow-through units, comprised of one flow-through common share and one warrant, at a price of \$0.115 per flow-through unit for gross proceeds of \$1,616,825.

The Company also issued 9,543,858 non-flow-through units, comprised of one common share and one warrant, at a price of \$0.105 per non-flow-through unit for gross proceeds of \$1,002,105. The 23,603,206 warrants issued are exercisable at \$0.20 per common share until April 28, 2025.

\$111,476 was incurred and 979,220 warrants were issued as finder's fees in relation to this private placement. The finder's warrants are exercisable at \$0.20 per common share until April 28, 2025.

# KLONDIKE GOLD CORP.

## NOTES TO THE FINANCIAL STATEMENTS February 28, 2023 (Expressed in Canadian dollars)

Issued during the year ended February 28, 2022

The Company issued 11,975,000 flow-through units at a price of \$0.20 per flow-through unit for gross proceeds of \$2,395,000. Each flow-through unit was comprised of one flow-through common share and one-half of one warrant, with each whole warrant exercisable at \$0.25 per common share until October 22, 2023, or November 17, 2023 (Note 10(c)). The Company allocated \$nil value to the warrants.

A flow-through premium liability of \$299,375 was allocated to the flow-through obligation of this private placement, and the remainder of the proceeds were allocated to share capital. As at February 28, 2023, the Company has fulfilled the total obligation of \$2,395,000 and the flow-through premium has been fully amortized to loss and comprehensive loss as other income - flow-through. During the year ended February 28, 2023, the Company recognized \$223,593 (2022 - \$75,782) in other income - flow-through relating to this obligation.

The Company also issued 6,409,866 non-flow-through units at a price of \$0.175 per non-flow-through unit for gross proceeds of \$1,121,727. Each non-flow-through unit was comprised of one common share and one-half of one warrant, with each whole warrant exercisable at \$0.25 per common share until October 22, 2023, or November 17, 2023 (Note 10(c)). The Company allocated \$nil value to the warrants.

Cash transaction costs of \$197,052 were incurred as share issuance costs, and 661,329 warrants were issued as a finder's fee, exercisable at \$0.25 per common share until November 17, 2023, with a value of \$33,278 in relation to this private placement (Note 10(c)). The finder's 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 0.52%; iv) expected life of 2 years; v) no dividend yield.

c) A summary of the changes in warrants follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, February 28, 2021	34,238,691	\$ 0.35
Expired	(3,611,666)	0.35
Issued	9,853,762	0.25
Balance, February 28, 2022	40,480,787	0.32
Expired	(30,627,025)	0.35
Issued	3,441,000	0.20
Balance February 28, 2023	13,294,762	\$ 0.24

# KLONDIKE GOLD CORP.

## NOTES TO THE FINANCIAL STATEMENTS February 28, 2023 (Expressed in Canadian dollars)

As at February 28, 2023, the following warrants were outstanding:

<b>Outstanding</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
5,717,075	\$ 0.25	October 22, 2023
661,329	0.25	November 17, 2023
3,475,358	0.25	November 17, 2023
2,441,000	0.20	December 30, 2024
1,000,000	0.20	January 24, 2025
<b>13,294,762</b>		

During the year ended February 28, 2023, 6,845,117 warrants with an exercise price of \$0.25, 5,575,000 warrants with an exercise price of \$0.30, 10,450,390 warrants with an exercise price of \$0.35, 6,794,018 warrants with an exercise price of \$0.45, and 962,500 warrants with an exercise price of \$0.50 expired.

During the year ended February 28, 2023, the Company issued 3,441,000 warrants with an exercise price of \$0.20 (Note 10(b)).

During the year ended February 28, 2022, the Company issued 9,853,762 warrants with an exercise price of \$0.25 (Note 10(b)).

During the year ended February 28, 2022, 3,611,666 warrants with an exercise price of \$0.35 expired.

- d) 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.

A summary of the changes in stock options follows:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Balance February 28, 2021 and 2022	11,669,500	\$ 0.24
Cancelled	(1,050,000)	0.25
Granted	3,900,000	0.10
Balance February 28, 2023	14,519,500	\$ 0.20



# KLONDIKE GOLD CORP.

## NOTES TO THE FINANCIAL STATEMENTS February 28, 2023 (Expressed in Canadian dollars)

As at February 28, 2023, the following stock options were outstanding:

Outstanding and Exercisable	Exercise Price	Expiry Date
1,244,500	\$ 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
900,000	0.26	April 4, 2027
3,900,000	0.10	January 24, 2028
2,950,000	0.29	March 28, 2028
1,335,000	0.21	May 17, 2029
2,325,000	0.25	October 30, 2030
14,519,500		

During the year ended February 28, 2023, 375,000 stock options with an exercise price of \$0.21, 125,000 stock options with an exercise price of \$0.25, 150,000 stock options with an exercise price of \$0.26, and 400,000 stock options with an exercise price of \$0.29 were cancelled.

During the year ended February 28, 2023, the Company granted 3,900,000 stock options. The options vested immediately and are exercisable at a price of \$0.10 per common share until January 24, 2028. Using the Black-Scholes valuation model, the grant date fair value was \$247,815, using the following weighted average assumptions: i) exercise price per share of \$0.10; ii) expected share price volatility of 75%; iii) risk-free interest rate of 3.80%; iv) expected life of 5 years; v) no dividend yield.

### 11. MANAGEMENT OF CAPITAL

The Company manages its 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.

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.

# KLONDIKE GOLD CORP.

## NOTES TO THE FINANCIAL STATEMENTS

February 28, 2023

(Expressed in Canadian dollars)

### 12. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these 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
Level 3	Inputs that are not based on observable market data

The fair values of the Company's cash, restricted cash, amounts receivable, reclamation bond, trade and other payables, and lease approximate their carrying value, due to their short-term maturities and market interest rate. 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 3 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, restricted cash and amounts receivable. Cash 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 Dulac Mining for royalty payments (Note 7(a)) and 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

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. The Company is subject to liquidity risk.

#### 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.

# KLONDIKE GOLD CORP.

## NOTES TO THE FINANCIAL STATEMENTS February 28, 2023 (Expressed in Canadian dollars)

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 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 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 the 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.

### 14. INCOME TAX NOTE

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

	2023	2022
Loss for the year	\$ (1,029,828)	\$ (627,642)
Expected income tax (recovery)	\$ (278,000)	\$ (169,000)
Change in statutory, foreign tax, foreign exchange rates and other	12,000	2,000
Permanent differences	5,000	(103,000)
Impact of flow through share	490,000	700,000
Share issue cost	(2,000)	(53,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(19,000)	(47,000)
Change in unrecognized deductible temporary differences	(208,000)	(330,000)
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

# KLONDIKE GOLD CORP.

## NOTES TO THE FINANCIAL STATEMENTS February 28, 2023 (Expressed in Canadian dollars)

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

	2023	Expiry Date Range	2022	Expiry Date Range
<b>Temporary Differences</b>				
Share issue costs	\$ 282,000	2043 to 2047	\$ 402,000	2043 to 2046
Allowable Capital losses	\$ 3,410,000	No expiry date	\$ 3,410,000	No expiry date
Property and equipment	\$ 1,022,000	No expiry date	\$ 999,000	No expiry date
Exploration and evaluation assets	\$ (10,680,000)	No expiry date	\$ (8,892,000)	No expiry date
Investment tax credits	\$ 67,000	2022 to 2042	\$ 46,000	2022 to 2042
Marketable Securities	\$ 286,000	No expiry date	\$ 285,000	No expiry date
Non-Capital losses	\$ 18,371,000	2026 to 2043	\$ 17,312,000	2026 to 2042