

## MANAGEMENT DISCUSSION & ANALYSIS FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2016

### Corporate Information

Klondike Gold Corp (“Klondike Gold” or the “Company”) is a Canadian listed public company with its shares traded on the TSX Venture Exchange under the symbol “KG”.

The Company is a resource exploration stage company engaged in the acquisition and exploration of mineral properties. For the funding of property acquisitions and exploration that the Company conducts, the Company depends on the issuance of shares from the treasury to investors and does not use long term debt. The Company currently holds exploration properties in Canada, with a focus on the Yukon Territory. For more information, please refer to the Properties section.

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and also on the Company’s website at [www.klondikegoldcorp.com](http://www.klondikegoldcorp.com).

### Management Discussion and Analysis

This Management Discussion and Analysis (“MD&A”) should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three and six months ended August 31, 2016.

The Company’s unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company’s ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. While the Company is extending its best efforts in this regard, the outcome of these matters cannot be predicted at this time. The accompanying unaudited consolidated interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

This MD&A has been prepared as of October 28, 2016. All amounts are expressed in Canadian dollars unless otherwise stated.

### Forward Looking Information

This MD&A includes some statements that may be considered “forward-looking statements”. All statements in this discussion that address the Company’s expectations about future exploration and development are forward-looking statements. Although the Company believes the expectations presented in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploration successes, availability of capital and financing, and general economic, market, and business conditions. Readers are cautioned that any such

statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

## YUKON PROPERTIES

### Yukon Klondike District Project

Ownership	Property	Property Type	Number of Claims	Area (sq. km)	Royalty
Klondike Gold	Klondike Project	Claims	1641	302	
Klondike Gold	Klondike Project	Crown Grants	14	2	
Klondike Gold	Klondike Project	Claims-Gimlex	1125	223	2%
TOTAL CLAIMS			2780	527.1	
Klondike Gold	Placer	Indian River	239	13.4	5%
Klondike Gold	Placer	Eldorado Creek	114	6.8	
TOTAL PLACERS			353	20.2	

### Klondike District Project

The Klondike District Project is comprised of former individually named property areas including Lone Star, Bonanza, Dominion, Gold Run, Sulphur Creek, and Washington Creek. Following the acquisition of 1,125 quartz claims from Gimlex Enterprises Ltd. (“Gimlex”) (see news release August 8, 2016), all of the Company’s quartz properties are contiguous and span the Klondike District, so the individual property names are not relevant. The table above reflects the combined district holdings, both quartz and placer, and is differentiated now by whether or not the claim holding is encumbered by a royalty payable.

### Summary of Exploration on the Klondike District Project: June through August 2016

The Company’s exploration of the Klondike District Project to date supports an orogenic gold deposit model of mineralization with similarities including age and veining style to the nearby Golden Saddle deposit discovered by Underworld Resources and acquired by Kinross Gold in 2011 for \$140 million. The recent Goldcorp Inc. \$520 million acquisition of Kaminak Gold Corp. for its Coffee Gold Project has renewed interest in the gold potential of the region.

At the start of the 2016 season, Klondike Gold announced plans to drill at least 50 shallow holes on its Klondike District Project to test at-surface gold-bearing quartz vein outcrops. As the program evolved with positive results, the drill budget was increased. As of mid-October, the Company had drilled a total of 71 diamond drill holes on a variety of targets.

Substantial diamond drill target areas tested in 2016 include the Nugget, Violet Ridge, Dominion, Christie, and Lone Star targets. The 3.5 km long Violet Ridge target area is divided into “310”, “Isaac”, and “Violet Mine” sub-targets. A total of 71 diamond drill holes were completed in three phases of drilling during May to July, August, and September to October, exceeding the planned 50+ holes for the year because of the continued positive results obtained. A total of 5,365 meters of core was collected. Holes averaged 75 meters in length and were completed in 36 hours on average. The average contracted cost per meter

drilled, including the heavy equipment required for moves and pad leveling, is \$105 per meter. The extremely low cost per meter compared to Yukon, or Canadian, or international rates is due to the proximity of the Klondike District Project to Dawson (20 km) and the network of government maintained mining roads that transect the Project.

In two years, the Company has discovered economically interesting gold mineralization at Gay Gulch (75.6 g/t Au over 2.8 meters) and Nugget (5.1 g/t Au over 14.3 meters). Assays are pending from the Lone Star target and the Company is encouraged by the continuity and visual results to date. The Company's initial objective of demonstrating in-place bedrock gold mineralization, as the source for the historic rich Klondike placer production has been achieved in multiple locations within the district, and provides the potential for resource discovery going forward.

## **NUGGET ZONE RESULTS**

### **Drilling:**

The Company first drilled the Nugget Zone in 2015 and outlined two parallel east-west striking zones of gold-bearing quartz veins (the "Upper" and "Lower zones; see NR October 15, 2015) over a 100 meter strike length. In 2015, hole EC15-03 intersected near-surface mineralization averaging 5.3 g/t Au over 7.6 meters starting at 4.4 meters downhole.

In 2016 a total of 11 drill holes, EC16-23 to EC16-33, tested the vicinity of Nugget Zone. Hole EC16-32 intersected visible gold-bearing quartz veins averaging 5.1 g/t Au over 14.34 meters from 3.55 meters downhole starting at the bedrock surface, representing the best result to date from the Nugget Zone. A 22 cm interval from 5.1 meters assayed 147 g/t Au. The hole is a 50 meter step out to the east. Veining intensity and tenor of mineralization is strengthening and remains open in this direction.

EC16-27 is a 50 meter step out to the west and was drilled at a shallow -50 degree angle. EC16-27 intersected a quartz vein array averaging 0.5 g/t Au over 6.0 meters from 48.5 meters downhole. EC16-28 was drilled at a steep -85 degree angle from the same position and intersected minor quartz veining with no significant assays. Two more holes, EC16-29 and EC16-30, drilled 50 meters further to the west, failed to intersect quartz veining and had no significant assays.

EC16-23 to EC16-26 were tests of the hangingwall above the Nugget Zone. EC16-23 and EC16-24 appear to have reached the Nugget vein position and intersected minor quartz veining with no significant assay. EC16-25 and EC16-26 did not have significant veins or assays, and did not test the Nugget target. EC16-33 tested the footwall below the Nugget Zone and intersected a new vein which assays 7.6 g/t Au over 0.4 meters from 23.07 meters.

During a second phase of 2016 drilling, the Nugget Zone was tested by seven shallow drill holes. At the eastern end of Nugget Zone, hole EC16-55 intersected 3.3 g/t Au over 11.93 meters, including 8.2 g/t Au over 3.3 meters. EC16-55 is a 20 meter step-down behind EC16-32, drilled previously, which intersected 5.1 g/t Au over 14.34 meters (see news release July 14, 2016). In the central part of the Nugget Zone, hole EC16-54 tested an apparent flexure or 25 meter fault offset in the Nugget vein array and intersected 336.6 g/t Au over 0.22 meters and also 2.0 g/t Au over 5.29 meters. EC16-53, drilled 25 meters above EC16-54, intersected 2.1 g/t Au over 0.85 meters in similar veining.

Gold mineralization in quartz vein arrays has been intersected at shallow depths over a strike length of 200 meters at Nugget Zone between holes EC16-54 in the center and holes EC16-32 and EC16-55 in the east. The geometry outlined to date is one of an elongate tube, outcropping in part, that has true widths of 5 meters to 15 meters. Detailed mapping has revealed centimeter to 10-meter scale northeast late faults which simply offset the continuous northwesterly trending gold mineralization; the 'flexure' or 'fault' tested by EC16-54 is a probable example.

A third phase of 2016 drilling was undertaken at the Nugget Zone in October. Three drill holes were planned primarily to prospect along strike to the east (2 holes) and west (1 hole) to test for mineralization and for favourable structural/lithological controls. All assays are pending.

## **VIOLET RIDGE TARGET RESULTS**

### **Prospecting:**

During summer 2016, gold-bearing quartz veins in outcrop at Violet Ridge were mapped for a strike length of 2,200 meters at surface, up from 600 meters strike length reported previously (see News Release May 18, 2016). A total of 12 rock grab samples were collected from c.1900 prospect pits and trenches. Four samples from trench/pit workings assayed 0.8 to 4.2 g/t Au all with anomalous silver up to 96 g/t Ag; eight samples collected 200 meters away from trenches assayed 0.2 to 9.2 g/t Au all with anomalous silver up to 97 g/t Ag. (Prospecting samples are selective in nature; systematic test results may vary significantly.) The quartz veining is along strike from other outcropping quartz veins (reported May 18<sup>th</sup>) identified in other c.1900 workings along the ridge. Taken in total, the Violet Ridge quartz veining has a mapped strike length of 2,200 meters at surface. The veining is directly associated with a magnetic low (interpreted) fault.

### **Drilling:**

A total of 9 holes tested the "310" area of Violet Ridge over a 550 meter strike extent. Fine flakes of visible gold were observed in drill core from two holes, consistent with surface prospecting samples (see News Release May 18, 2016). A total of 4 holes tested the "Isaac" area of Violet Ridge over a 175 meter strike extent. All holes intersected the target quartz veins, and also intersected zones of silicification. A total of 4 holes tested the "Violet Mine" area of Violet Ridge over a 450 meter strike extent. All holes intersected the target quartz veins. Assay results from all 17 holes testing the Violet Ridge target(s)

No economic grades or widths were encountered in any of these drill holes along Violet Ridge. All holes intersected the targeted quartz veins which upon assay contained geochemically anomalous zones of gold above 100 ppb Au, and locally up to 4.1 g/t Au over narrow 0.44 meter widths. Alteration surrounding the veins did not carry gold values. The length of the Violet Ridge gold-mineralized system extends some 4.5 km in total and has been tested along its highest elevation in very shallow holes to less than 40 meters vertical below surface. Further exploration is warranted.

## **DOMINION TARGET RESULTS**

### **Drilling:**

A total of 10 holes tested the Dominion target located 30 km east of Eldorado Creek in the approximate middle of the Klondike placer goldfields. Drilling targeted individual outcropping gold-mineralized quartz veins over a 900 meter length. Nine of ten holes hit the target quartz veins. Two holes targeted a c.1900

prospecting shaft exposing a 3 meter wide galena-pyrite mineralized quartz vein which has previously yielded gold assays up to 81 g/t Au in prospecting samples (see News Release January 19, 2015).

Assays received for 10 holes from reconnaissance drilling the Dominion target (see News Releases July 14, 2016 and August 10, 2016) in general returned sporadic high gold results similar to the Violet Ridge area. Two holes had interesting results: DM16-01 intersected 15.4 g/t Au over 0.34 meters from beneath the main historic shaft, and DM16-08 intersected 1.7 g/t Au with 162 g/t Ag over 1.5 meters from beneath a second shaft 450 meters away from the first. The length of the Dominion gold-mineralized system extends some 900 meters in total and has been tested along its highest elevation in very shallow holes to less than 40 meters vertical below surface. Holes generally intersected quartz veining with anomalous lead-silver values but, like at Violet, gold contents in these were present but low. Further exploration is warranted.

### **CHRISTIE TARGET RESULTS**

#### **Drilling:**

In October 2016, a total of 3 diamond drill holes tested the Christie target located on Lone Star ridge west of the Lone Star mine prospect. The Christie target is an outcropping quartz vein containing rare cubic pyrite and galena which yields sporadic anomalous gold assays and is very similar in character to the Violet Ridge and Dominion targets veins. As at the date of this MD&A, these holes have not been detailed logged or sampled.

### **LONE STAR TARGET RESULTS**

#### **Prospecting:**

The Lone Star target is a broad 300 by 400 meter area of historical trenching and mostly reverse circulation drilling surrounding the Klondike-era Lone Star mine (c.1910-1912). The geology of Lone Star gold mineralization and veining is interpreted to be lithologically and structurally similar to the Nugget Zone target. In September 2016 the Company completed mapping, sampling, and re-interpretation of historical results and identified a prospective east-west trending gold-mineralized quartz vein array corridor through the Lone Star target area. Sampling outside the historically known area of surface mineralization to both the west and east has expanded the length of gold-bearing veins to a total of 700 meters strike length. At the western end, four new non-representative grab samples of quartz veins had gold with silver assaying from 1.8 g/t Au to 46.9 g/t Au with 5 to 21 g/t Ag. At the eastern end, five new non-representative grab samples of quartz veins had gold with silver assaying from 2.8 g/t Au to 12.4 g/t gold with 18 to 39 g/t silver. In the middle of the Lone Star target area, a quartz vein discovered by the Company in 2015 had gold assays of 1,766 g/t Au, 1,007 g/t Au, and 831 g/t Au with corresponding silver assays of 400 g/t Ag, 237 g/t Ag, and 205 g/t Ag respectively. (See news release dated January 14, 2015.) Prospecting grab samples are selective in nature; systematic test results may vary significantly.

Also in September 2016, a review of results from a PhD thesis (Matt Grimshaw, Leeds University) indicated definitive evidence for the presence of disseminated gold mineralization in the Lone Star gold-mineralized corridor, in addition to the gold-bearing quartz vein arrays also present. On the basis of this evidence, and the re-interpretation and recommendations from the Company's staff, a drill program was planned.

The objective of this initial drill program is to test the 700 meter Lone Star corridor for consistent gold mineralization at shallow depths, and also to apply a working model of mineralization from Nugget Zone to the Lone Star area with the intention, if successful, of applying this model on a district scale.

#### Drilling:

Seventeen drill holes across a 700-meter strike length at Lone Star target have tested the western, central, and eastern portions of the area respectively (see NR September 28, 2016). Visible gold, both with quartz veins and disseminated in the host schist, has been intersected at depths predicted by the Company's geological staff across the Lone Star target and results so far suggest continuity to a potential gold-enriched zone. All assays are pending.

### **PROPERTY ACQUISITIONS**

#### **Gimlex Purchase**

On August 8, 2016, the Company announced that it entered into a Property Acquisition Agreement with Gimlex for the purchase by Klondike Gold of a 100% interest in Gimlex's 1,125 mining claims covering 223 square kilometers located in the Dawson mining district, Yukon Territory. Gimlex Enterprises Ltd. is a privately owned Dawson area exploration and mining business operated by the Christie family since 1984.

Upon completion of this transaction, Klondike Gold effectively doubled its land position covering the prospective Klondike goldfields district with direct ownership of a total of 2,780 quartz claims forming one 50 km long district-scale continuous property covering 527 square kilometers area.

This acquisition consolidates ownership of the Klondike district into one contiguous district-spanning claim group for the first time. The claim package will allow systematic exploration, evaluation and ranking of targets across the district with geological understanding of variations and potential zonation. The Company believes there is significant potential for multiple discoveries and this consolidation will allow the greatest opportunity for testing the best possible targets. Historically a total of 20 million placer ounces of gold has been extracted from gravels derived from the bedrock of the Klondike district.

In return for the acquisition by the Company of a 100% interest in the Gimlex mining claims plus 24 years of exploration data, the terms of the Property Acquisition Agreement are as follows:

- Payment of \$500,000 in cash to Gimlex (Completed).
- Issuance to Gimlex of 3,000,000 common shares without par value in the capital of the Company. The 3,000,000 common shares were valued at \$0.40 per share, being the closing share price of the Company on August 8, 2016, for total consideration of \$1,200,000 (Completed).
- Granting to Gimlex of a 2% Net Smelter Returns ("NSR") Royalty in respect of the Gimlex property, of which the Company may purchase one-half of the NSR Royalty (being a 1% NSR Royalty) from Gimlex for cash in the amount of \$1,500,000 at any time.
- Gimlex shall have the right to nominate one individual for election to the Board of Directors of the Company for so long as Gimlex continues to own, directly or indirectly, more than 5% of the issued

and outstanding common shares of the Company. Tara Christie was appointed to the Board on September 13, 2016.

## **New Staking**

The Company also acquired 235 quartz claims (47.5 square kilometers) by staking in the “Washington Creek” area located in the western end of the Klondike District Project. The area covers an interpreted sub-regional fault; part of a system of previously unrecognized faults relating to the introduction of orogenic gold-bearing mineralization cutting the Klondike region.

## **OTHER EXPLORATION**

A total of 230 line kilometers of ground magnetics was completed during summer 2016 which extends the survey coverage to the Company’s northern and western claim boundary in the Eldorado Creek area of the project. The survey extends the northern and southern extents of the Eldorado fault structures which are interpreted to be a significant control to Nugget Zone and Gay Gulch Zone of gold mineralization (see News Releases dated July 14, 2016 and October 26, 2015).

## **ELDORADO CREEK PLACER PROJECT**

During September 2016, a limited amount of stripping work was performed to test for gold-bearing bench gravels on the upper slopes of the property. An area was excavated, tested, sampled, photographed and then the test area was back-filled and fully remediated.

## **INDIAN RIVER PLACER PROJECT**

During May 2016, Jerusalem Mining completed remediation of the areas mined during the 2014 and 2015 years. At the end of remediation activities, Jerusalem Mining removed their surface plant and machinery from the project. The lease agreement between Jerusalem Mining and the Company terminated.

In 2015, Klondike Gold entered into a lease agreement with Jerusalem Mining LLC, operating as 316 Mining (“316 Mining”) whereby Klondike Gold assigned to 316 Mining the rights and permits to placer mine on the “McKinnon Creek property”, Yukon. (McKinnon Creek is the term applied to the area of the Hoffman lease agreement and is a subset of the Indian River Placer property). Under the terms of the lease agreement, Klondike Gold received from 316 Mining a direct 15% production royalty payable in raw gold and will receive an additional 5% on behalf of the underlying third party royalty holder. During the six months ended August 31, 2016, the lease agreement was not renewed and 316 Mining removed equipment and completed reclamation of mined areas.

In September, 2016 the Company conducted testing by systematically pit sampling and panning the gravel left exposed by 316 Mining in the open cut. Tests indicate an interesting amount of gold remains in a layer of gravel above the bedrock surface, suggesting that not all the gold-bearing gravels were extracted and that the ‘pay streak’ is exposed in the cut. In addition, gold-bearing gravels were stockpiled adjacent to the open cut and remain to be processed. The Indian River property is available for sale privately.

The Indian River valley is located 35 km south of Dawson City and forms the southern boundary of the Klondike Gold Fields. Approximately 60% of the Indian River property has been tested by 350 auger drill holes between 2005 and 2015 to locate and delineate White Channel Gravel ‘pay streaks’. Gold was

recovered from nearly 100% of the holes in the main target area. Drill results indicate gold-bearing gravels extend over a distance of more than three km (1.9 miles) and remain open for expansion to the east and south.

The Company received \$216,341 in royalties on the Indian River property in 2014 and \$526,994 in 2015.

## **BRITISH COLUMBIA PROPERTIES**

The Company maintains one property group of claims acquired by staking and option agreements in the southeastern mountain region of British Columbia. The property is prospective for Sullivan-type lead-zinc mineralization and is also prospective for gold. The following table summarizes the claims as at October 15, 2016:

<b>Claim Owner</b>	<b>Property Name</b>	<b>Number of Claims</b>	<b>Area (sq km)</b>	<b>Area (ha)</b>
Klondike Gold Corp.	Hughes Range	8	21.0	2103.2

<b>Claim Owner</b>	<b>Property Name</b>	<b>Number of Claims</b>	<b>Area (sq km)</b>
Klondike Gold Corp.	Panda Irishman	5	17.1
Klondike Gold Corp.	Thea	1	14.1
Klondike Gold Corp.	Quartz Mountain	65	36.8
Klondike Gold Corp.	Clubine	5	2.3
Klondike Gold Corp.	Cruz-Midway	36	16.2
Klondike Gold Corp.	Red Point	9	32.6
Klondike Gold Corp.	Ron Gold	29	11.7

During the six months ended August 31, 2016, the Company announced that it had entered into a property purchase agreement (the "Agreement") with Rise Resources Inc. ("Rise") for the acquisition by Rise of 100% of a portfolio of certain of the Company's British Columbia properties listed below.

The terms for the Agreement are as follows:

- Payment within 60 days of signing of \$50,000 in cash, and payment of 1,500,000 Rise shares and 1,500,000 Rise warrants to purchase 1,500,000 shares for a period of 24 months (completed July 13, 2016). The 1,500,000 Rise shares were valued at \$0.17 per share, being the closing share price of Rise on July 18, 2016, for total consideration of \$255,000, and the warrants were valued at \$nil.
- Payment July 13, 2016, of \$150,000 in cash, and payment of 2,000,000 Rise shares and 1,000,000 Rise warrants to purchase 1,000,000 shares for a period of 24 months.
- Klondike will retain a 2.0% NSR and Rise will have the right to purchase 50% of this NSR for \$1,000,000 at any time.



# Overall Financial Performance

## Financial Condition

As at August 31, 2016, a total of \$10.89 million was held in exploration and evaluation assets (February 29, 2016 - \$8.12 million), all of which was invested in the Yukon. Total assets increased to \$12.58 million (February 29, 2016 - \$9.35 million), total liabilities increased to \$0.06 million (February 29, 2016 - \$0.09 million) and shareholders' equity increased to \$12.42 million (February 29, 2016 - \$9.16 million).

During the six months ended August 31, 2016, the Company closed a non-brokered private placement of 760,250 flow through shares at a price of \$0.16 per share for gross proceeds of \$121,640 and 2,706,857 non-flow through units at a price of \$0.14 per unit for gross proceeds of \$378,960. Each unit consists of one common share and one common share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.20 per common share until April 4, 2019.

During the six months ended August 31, 2016, the Company closed a non-brokered private placement of 4,000,000 non-flow through units at a price of \$0.30 per unit for gross proceeds of \$1,200,000. Each unit consists of one common share and one-half of a common share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 per common share until November 30, 2018.

Subsequent to August 31, 2016, the Company closed a non-brokered private placement of 2,883,335 flow through units at a price of \$0.30 per unit for gross proceeds of \$865,000 and 840,001 non-flow through units at a price of \$0.30 per unit for gross proceeds of \$252,000. Each flow through unit consists of one common share and one-half of a share purchase warrant. Each non-flow through unit consists of one common share and one-half of a share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 per common share until March 13, 2019.

## Results from Operations

During the six months ended August 31, 2016, the Company's cash increased by \$248,127. Cash provided by financing activities included \$1,668,530 received on the issuance of shares, net of share issuance costs, and \$330,333 in proceeds from the exercise of share purchase warrants. Cash used in investing activities included \$1,566,741 used to fund exploration and evaluation expenditures, \$27,829 on the purchase of equipment and \$25,000 on the purchase of a term deposit, partially offset by \$278,882 in sales of available-for-sale investments. Cash used in operating activities totaled \$410,048 (2015 - \$15,707).

### *Three months ended August 31, 2016 and 2015*

The Company's comprehensive loss for the three months ended August 31, 2016, was \$37,949 which was down from \$48,701 for the three months ended August 31, 2015. The decrease in comprehensive loss is due mainly to gain on sale of property of \$305,000 and gain on sale of available-for-sale investments of \$16,173, partially offset by share-based compensation of \$154,249 and consulting and wages of \$117,354.

## Six months ended August 31, 2016 and 2015

The Company's comprehensive loss for the six months ended August 31, 2016, was \$367,944 which was up from \$180,540 for the six months ended August 31, 2015. The increase in comprehensive loss is due mainly to share-based compensation of \$302,086 and consulting and wages of \$236,810, partially offset by gain on sale of property of \$305,000 and gain on sale of available-for-sale investments of \$14,902.

## Summary of Quarterly Results

### Quarter Ended

	Aug 31, 2016	May 31, 2016	Feb. 29, 2016	Nov. 30, 2015
	\$	\$	\$	\$
Other Income (Loss)	325,736	12,841	36,375	17,878
Net Income (Loss)	(37,949)	(329,995)	(178,085)	(109,242)
Net Income (Loss) Per Share	(0.00)	(0.01)	(0.00)	(0.00)

	Aug. 31, 2015	May. 31, 2015	Feb. 28, 2015	Nov. 30, 2014
	\$	\$	\$	\$
Other Income (Loss)	108,208	27,028	(564,986)	184,689
Net Income (Loss)	(48,701)	(131,839)	(1,083,754)	41,995
Net Income (Loss) Per Share	(0.00)	(0.00)	(0.03)	(0.00)

Other income for the quarter ended August 31, 2016, includes \$305,000 related to the property purchase agreement with Rise. Included in net loss for the quarters ended Aug 31 and May 31, 2016, was share-based compensation of \$154,249 and \$147,837, respectively. Net loss for the quarter ended February 28, 2015, includes a write-down of equipment of \$524,537 (2014: nil). The increase in net income in the quarter ended November 30, 2014, is due to a reduction in operating expenditures as well as a gain on disposition of joint venture of \$195,624, as a result of the Company marking its equity investment in KG46 up to fair value on acquisition of the remaining 50% of 46799 Yukon Inc.

## Financial Liquidity and Capital Resources

### Working Capital

The Company had working capital of \$919,397 at August 31, 2016, compared to working capital of \$544,614 at February 29, 2016. The Company's cash position at August 31, 2016, was \$771,115 and at February 29, 2016, was \$522,988.

## Transactions with Related Parties

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 six months ended August 31, 2016, the Company was charged consulting fees of \$69,000 (August 31, 2015 – \$69,000) by Atlantic Zinc Resources Ltd., a company owned by the CEO of the Company. During the three months ended August 31, 2016, the Company was charged consulting fees of \$34,500 (August 31, 2015 – \$34,500) by Atlantic Zinc Resources Ltd., a company owned by the CEO of the Company. As at August 31, 2016, nil (February 29, 2016 - \$12,075) was payable to Atlantic Zinc Resources Ltd.
- b) During the six months ended August 31, 2016, the Company was charged \$84,636 (August 31, 2015 – \$60,000) by Fiore Management and Advisory Corp. (“Fiore”), a company whose CEO is a director of the Company, for corporate administration services included in consulting and wages. During the three months ended August 31, 2016, the Company was charged \$37,630 (August 31, 2015 – \$30,000) by Fiore a company whose CEO is a director of the Company, for corporate administration services included in consulting and wages. Share-based compensation of \$33,602 (August 31, 2015 - nil) was recorded on stock options granted to Fiore.

### 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 six months ended August 31, 2016, was \$238,524 for stock options granted to directors and officers of the Company (August 31, 2015 - nil). Included in share-based compensation for the three months ended August 31, 2016, was \$130,351 for stock options granted to directors and officers of the Company (August 31, 2015 - nil).

## New Accounting Standards and Interpretations

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 - Financial Instruments was issued in November 2009 and covers the classification and measurement of financial assets as part of its project to replace IAS 39 - Financial Instruments: Recognition and Measurement. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is applicable for periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2018.

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position.

Disclosure changes are anticipated.

## Financial Instruments and Other 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.

### Financial Instrument Classifications

The Company has classified cash and cash equivalents and restricted cash as fair value through profit or loss financial assets. Available-for-sale investments are classified as available for sale. Amounts receivable, and reclamation bonds are classified as loans and receivables. Trade and other payables, and due to related parties are classified as other financial liabilities. Management did not identify any material embedded derivatives, which require separate recognition and measurement.

Disclosures about the inputs to financial instrument fair value measurements are made within a hierarchy that prioritizes the inputs to fair value measurement.

The three 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 reclamation bonds, amounts receivable, trade and other payables, and due to related parties approximate their carrying value, due to their short-term maturities. The Company's cash and cash equivalents, restricted cash, and available-for-sale investments are measured at fair value using Level 1 inputs.

As at August 31, 2016, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

### 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 amounts receivable which 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.

### 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. Moreover, the Company manages liquidity risk by actively pursuing additional share capital issuances to settle its obligations in the normal course of its operating, investing and financing activities. As at August 31, 2016, the Company had a cash and cash equivalent balance of \$771,115 to settle current liabilities of \$64,404.

### **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 price risk: interest rate risk, currency risk, and price risk:

#### **i) Interest rate risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company holds its cash and cash equivalents 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 equivalent balances as at August 31, 2016. The Company manages interest rate risk by maintaining an investment policy for short-term investments included in cash equivalents. This policy focuses primarily on preservation of capital and liquidity. The Company monitors the investments it makes and is satisfied with the credit rating of its banks. The Company does not have any interest bearing debt.

#### **ii) Foreign currency risk**

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

#### **iii) Price Risk**

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of base and precious metals including gold, silver, zinc and lead, and the outlook for these metals. The Company does not have any hedging or other derivative contracts respecting its operations.

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.

## Outstanding Share Data

### Authorized share capital

The authorized share capital consists of an unlimited number of common shares.

### Common Shares

During the six months ended August 31, 2016, the Company closed a non-brokered private placement of 760,250 flow through shares at a price of \$0.16 per share for gross proceeds of \$121,640 and 2,706,857 non-flow through units at a price of \$0.14 per unit for gross proceeds of \$378,960. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.20 per common share until April 4, 2019.

During the six months ended August 31, 2016, the Company closed a non-brokered private placement of 4,000,000 non-flow through units at a price of \$0.30 per unit for gross proceeds of \$1,200,000. Each unit consists of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$0.35 per common share until November 30, 2018.

Cash transaction costs of \$32,070 were incurred as share issue costs and 58,571 non-flow through units with a deemed value of \$0.14 were issued as finders fees in relation to the private placements closed during the six months ended August 31, 2016.

Subsequent to August 31, 2016, the Company closed a non-brokered private placement of 2,883,335 flow through units at a price of \$0.30 per unit for gross proceeds of \$865,000.50 and 840,001 non-flow through units at a price of \$0.30 per unit for gross proceeds of \$252,000.30. Each flow through unit consists of one common share and one-half of a share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 per common share until March 13, 2019. Each non-flow through consists of one common share and one-half of a share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 per common share until March 13, 2019. Cash share issue costs of \$10,800 were paid in connection with this non-brokered private placement.

As at the date of this MD&A, an aggregate of 53,990,287 common shares are issued and outstanding.

### Warrants

During the six months ended August 31, 2016, 2,765,428 share purchase warrants were issued pursuant to the non-brokered private placement discussed above. The warrants are exercisable at a price of \$0.20 per common share until April 4, 2019.

During the six months ended August 31, 2016, 2,000,000 share purchase warrants were issued pursuant to the non-brokered private placement discussed above. The warrants are exercisable at a price of \$0.35 per common share until November 30, 2018.

During the six months ended August 31, 2016, 1,726,667 share purchase warrants were exercised for gross proceeds of \$330,333.

Subsequent to August 31, 2016, 1,861,666 share purchase warrants were issued pursuant to the non-brokered private placement discussed above. The share purchase warrants are exercisable at a price of \$0.35 per common share until March 13, 2019.

Subsequent to August 31, 2016, 40,565 share purchase warrants were exercised for gross proceeds of \$8,113.

As at the date of this MD&A, the Company has the following warrants outstanding:

Number Outstanding	Exercise Price Per Share	Expiry Date
60,000	\$1.20	October 30, 2016
2,155,788	1.00	January 18, 2017
8,100,850	0.20	November 17, 2017
933,395	0.20	December 15, 2017
3,115,000	0.15	December 23, 2017
2,000,000	0.35	November 30, 2018
1,861,666	0.35	March 13, 2019
2,765,428	0.20	April 4, 2019
<b>20,992,127</b>	<b>\$0.31</b>	

### Stock Options

During the six months ended August 31, 2016, 1,025,000 incentive stock options were granted to directors, officers, employees, charities, and consultants of the Company. The stock options are exercisable at a price of \$0.19 per share until April 19, 2026. The fair value of the stock options was estimated on the date of grant in the amount of \$147,837 using the Black-Scholes valuation model with the following assumptions i) exercise price per share of \$0.19; ii) expected share price volatility of 75%; iii) risk free interest rate of 1.59%; iv) no dividend yield. All of these stock options vested immediately.

During the six months ended August 31, 2016, 710,000 incentive stock options were granted to directors, officers, employees, charities, and consultants of the Company. The stock options are exercisable at a price of \$0.28 per share until June 21, 2026. The fair value of the stock options was estimated on the date of grant in the amount of \$154,249 using the Black-Scholes valuation model with the following assumptions i) exercise price per share of \$0.28; ii) expected share price volatility of 75%; iii) risk free interest rate of 1.00%; iv) no dividend yield. All of these stock options vested immediately.

Subsequent to August 31, 2016, 400,000 incentive stock options were granted to a director of the Company. The stock options are exercisable at a price of \$0.30 per share until September 13, 2026.

As at the date of this MD&A, the Company has the following stock options outstanding:

Number Outstanding	Exercise Price Per Share	Expiry Date
2,850,000	\$0.12	December 16, 2024
1,025,000	0.19	April 19, 2026
710,000	0.28	June 21, 2026
400,000	0.30	September 13, 2026
<b>4,985,000</b>	<b>\$0.16</b>	

## Additional Disclosure

### Contractual Obligations

The Company has future obligations under various contracts relating to an operating lease and minimum conditional and non-conditional exploration commitments to keep properties agreements in good standing. The obligations for any conditional exploration expenditures are non-binding, as the Company has the option to relinquish these licenses and any right to the properties at any time. A summary of these contractual obligations (based on undiscounted cash flows) as at August 31, 2016:

	Total	< 1 Year	1-3 Years	3-5 Years	5+ Years
Operating Lease	\$5,955	\$5,955	\$Nil	\$Nil	\$Nil

### Risks and Uncertainties

The Company is subject to a number of risks and uncertainties due to the nature of its business. The Company's exploration and development activities expose the Company to various financial and operational risks that could have a significant impact on its level of operating cash flows in the future. Readers are advised to study and consider risk factors stressed below. The following are identified as main risk factors that could cause actual results to differ materially from those stated in any forward-looking statements made by, or on behalf of, the Company.

#### *Financing*

The Company's future financial success depends on the ability to raise additional capital from the issue of shares or the discovery of properties which could be economically justifiable to develop. Such development could take years to complete and resulting income, if any, is difficult to determine. The sales value of any mineralization potentially discovered by the Company is largely dependent upon factors beyond the Company's control, such as the market value of the products produced.

#### *Properties*

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.

### General Resource Exploration Risks and Competitive Conditions

The resource exploration industry is an inherently risky business with significant capital expenditures and volatile metals markets. The marketability of any minerals discovered may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as market fluctuations, mineral markets and processing equipment, and changes to government regulations, including those relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. This industry is intensely competitive and there is no guarantee that, even if commercial quantities are discovered, a profitable market will exist for their sale. The Company competes with other junior exploration companies for the acquisition of mineral claims as well for the engagement



of qualified contractors. Metal prices have fluctuated widely in recent years, and they are determined in international markets over which the Company has no influence.

### **Governmental Regulation**

Regulatory standards continue to change, making the review process longer, more complex and therefore more expensive. Exploration and development on the Company's properties are affected by government regulations relating to such matters as environmental protection, health, safety and labour, mining law reform, restrictions on production, price control, tax increases, maintenance of claims, and tenure. There is no assurance that future changes in such regulations couldn't result in additional expenses and capital expenditures, decreasing availability of capital, increased competition, reserve uncertainty, title risks, and delays in operations. The Company relies on the expertise and commitment of its management team, advisors, employees and contractors to ensure compliance with current laws.

### **Outlook**

Management believes there is potential for further discoveries and concomitant possibility for value creation at its gold properties in the Klondike district, Yukon. Through exploration in 2015 and 2016, the Company has identified gold mineralization in outcrop and drilling throughout the 50 km length of the Klondike District that indicates the area has considerable exploration potential that warrants further testing.

Our conviction in continued well-planned, efficient exploration remains unchanged, however management recognizes the need to safeguard the Company's treasury and advance our programs in measured steps. The Company has completed spending \$1,000,000 to date for the 2016 work program, which has shown promising results from drilling as well as prospecting. The Company has identified an exploration model that predicts the area has significant potential for future discovery of gold mineralization. Additional funding may be required as the drilling program expands.

The technical and scientific information contained within the Management Discussion and Analysis has been reviewed and approved by Peter Tallman, P.Geol., President and CEO of the Company and Qualified Person as defined by National Instrument 43-101 policy.