



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 nine months ended November 30, 2018. This MD&A has been prepared as of January 29, 2019. All amounts are expressed in Canadian dollars unless otherwise stated.

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.

The technical and scientific information contained within the MD&A 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.

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).

## **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” and the Frankfurt Stock Exchange under the symbol “LBDP”.

The Company is a resource exploration stage company engaged in the acquisition and exploration of mineral properties in the Yukon Territory and British Columbia. The Company holds offices in Vancouver, British Columbia, and Dawson City, Yukon Territory. The head office is located at Suite 3123, 595 Burrard Street, Vancouver, British Columbia, V7X 1J1 and the Company’s registered and records office is located at Suite 2500 – 700 West Georgia Street, Vancouver, British Columbia, V6Y 1B3.

The Company is focused on exploration and development of its Yukon gold projects, accessible by government maintained roads 20 km south of Dawson City, Yukon Territory within the Tr’ondëk Hwëch’in First Nation traditional territory.

## **DESCRIPTION OF PROPERTIES**

The Company holds properties in the Yukon and in south eastern British Columbia.



## **YUKON PROPERTIES**

The Yukon properties consist of the Klondike District Project and the Klondike Placer Gold Property. The Company is focused on exploration and development of its Yukon gold projects covering 557 square kilometers of hard rock and 20 square kilometers of placer claims, approximately 20 km south of Dawson City, Yukon Territory within the Tr'ondëk Hwëch'in First Nation traditional territory.

### **Klondike Yukon Property Summary**

<b>Ownership</b>	<b>Property</b>	<b>Property Type</b>	<b>Number of Claims</b>	<b>Area (sq. km)</b>	<b>Royalty</b>
Klondike Gold	Klondike District	Claims	1692	310	
Klondike Gold	Klondike District	Crown Grants	14	2	
Klondike Gold	Klondike District	Claims-Gimlex	1230	244	2%
Klondike Gold	Klondike District	Claims-Burkhard	6	1.2	2%
<b>TOTAL CLAIMS</b>			<b>2942</b>	<b>557.2</b>	
Klondike Gold	Placer	Indian River	239	13.4	5%
Klondike Gold	Placer	Eldorado Creek	114	6.8	
<b>TOTAL PLACERS</b>			<b>353</b>	<b>20.2</b>	

### **Klondike District Project**

The Klondike District Project is comprised of 557 square kilometers of contiguous quartz claims which overlie and span the Klondike District, historically regarded as the region which has produced an estimated 20 million ounces of gold from surface alluvial creek gravels since 1896. The table above reflects the combined district holdings, both quartz and placer, and is differentiated by whether or not the claim holding is encumbered by a royalty payable. All of the quartz claims will remain in good standing at least until 2023 without further expenditure.

Through systematic exploration from 2015 to the present, the Company has identified significant prospective areas by drilling at the Lone Star Zone, the Nugget Zone (including along the Nugget Fault), the Gold Run target, the Gay Gulch target (along the Eldorado Fault), and the French Gulch target (along the Irish Fault). Nugget Zone, Gay Gulch and the Eldorado Fault are all in the northwest end of the Klondike District Property. Other areas have identified by prospecting and/or outlined by soils and geophysics, such as the Quartz Creek target area, need additional work to vector exploration and have yet to be drill tested. Exploration continues to affirm multiple local sources of bedrock gold mineralization which explain placer deposits exploited historically within the Klondike District.

The Company's exploration of the Klondike District Project supports an orogenic gold deposit model of mineralization with similarities including structural style, and age and veining style to the nearby Golden Saddle deposit discovered by Underworld Resources and acquired by Kinross Gold in 2011 for \$140 million, and the Coffee deposit discovered by Kaminak Gold and acquired by Goldcorp Inc. in 2016 for \$520 million. The Goldcorp acquisition of Kaminak for its Coffee Gold Project and subsequent work to place the Coffee deposit into commercial production has renewed interest in the gold potential of the region, as have exploration joint ventures or equity investments by Newmont, Barrick, Agnico Eagle, Coeur Mining and others with nearby junior explorers.



Most recently (January 2019), Newmont Mining has made a share plus cash offer to purchase Goldcorp Inc. for \$10 billion.

### ***Regional Setting and Infrastructure***

In September 2017, the Yukon government and the federal government announced over \$360 million in combined federal and territorial funding to improve road access in two mineral-rich areas: the Dawson Range in central Yukon and the Nahanni Range Road in southeastern Yukon. The Dawson Range project includes the network of all resource access roads within the Company's Klondike District Project. This construction to upgrade roads through the project, when completed, will improve the Company's access and lower operating costs.

Additionally, the proposed Coffee Mine haul road also transects the middle of the Company's Klondike District Project, and this access is planned to be substantially upgraded in conjunction with Coffee mine construction.

In general, the Company already enjoys excellent access to government roads, the Klondike Highway, the Dawson airport, and facilities in Dawson City.

### ***2018 Work Program Summary***

The Company's 2018 exploration program included 9,512 meters of drilling testing the Lone Star Zone plus five other target areas. Systematic pattern drilling at the Lone Star Zone significantly expanded the footprint of gold mineralization to approximately 900 meters length, and similar positive results from widely spaced exploration drilling suggest gold mineralization extends another 1,500 meters and remains open.

In addition, the Company completed regional exploration which included collecting over 5,000 soil samples, completing airborne magnetic and radiometric surveying and detailed structural and lithologic mapping and prospecting (see news releases dated August 14, 2018 and March 19, 2018).

This comprehensive multi-disciplinary geoscience surveying, the first undertaken across the entirety of the Klondike District, identified new priority targets similar to the Lone Star Zone in size and quality and with broadly similar structural and geological characteristics.

The structural mapping completed by SRK Consulting (Canada) identified a previously unrecognized structural/fault system (the newly defined "D4" fault category, along with a redefined "D3" category) with the D4 faults interpreted to be the primary conduit for gold mineralization and that the age of gold mineralization is substantially younger than previously postulated.

Similar new research by the Goldcorp-Coffee Mine team recently presented in Whitehorse (Yukon Geoscience, November 2018) identify the same structural/fault system as the host of gold at Coffee, and they age date the mineralization at c.100 Ma consistent with the SRK new interpretation of Klondike mineralization. This conclusion is supported by the new imaging of a deep crustal basement fault now termed the Rabbit Fault (formerly inferred and incorrectly named Rabbit Creek Thrust), a D3/D4 major fault that transects the Klondike District seen in the Company's 2018 airborne magnetics survey.



To summarize, the Company has identified and documented a previously unknown fault system generated by a previously locally unidentified gold orogenic event (the Tombstone orogeny, which is regionally a prolific gold belt) sited on a newly imaged deep crustal basement fault (seen in the Company’s 2018 airborne magnetics surveying).

During 2018, the Company also determined that three of the Klondike alluvial gold-bearing creeks, namely Bonanza, Eldorado, and Gold Run, all had local bedrock sources that are the likely origin of the gold-gravel deposits. This new geoscientific understanding will narrow the focus of further exploration by the Company.

2018 Drilling Summary:

The drilling program was completed with a total of 9,512 meters of core drilled in 87 holes, summarized by target or zone in the following table:

<b>Zone</b>	<b># Holes</b>	<b># Meters</b>
Lone Star	56	6,473.30
Nugget	20	1,905.83
Glacier	2	201.16
French	5	479.14
Gold Run	4	452.50
<b>TOTAL</b>	<b>87</b>	<b>9,511.93</b>

Results from all 87 diamond drill holes include results from Lone Star Zone (LS18-151 to LS18-159; LS18-164 to LS18-210), Gold Run area (GR18-160 to GR18-163), Nugget area targets including Nugget east and Oro Grande areas (EC18-215 to EC18-234), Glacier (EC18-235 to EC18-236), and French (EC18-237 to EC18-241).

A complete list of assays and plan map of drill hole locations may be found on the Company’s website.

In general, the Company targeted areas with potential for broad zones of disseminated gold mineralization associated with multi-kilometer faults.

Highlights of 2018 drilling include 1.4 g/t Au over 65.05 meters including 6.07 g/t Au over 8.45 meters from the Lone Star Zone adjacent to the Bonanza Fault (see news release dated July 18, 2018), and 2.36 g/t Au over 22.86 meters at the Nugget East target adjacent to the Nugget Fault, and 1.23 g/t Au over 13.50 meters at the Gold Run target at the eastern end of the Klondike District property (see news release dated October 4, 2018).

Lone Star Zone

The Lone Star Zone is the most significant target identified of the five targets drill tested during the 2018 exploration program, and is the first sizeable gold zone outlined by the Company within the district. The Lone Star Zone has been a focus for the Company since its significance was recognized in late 2016. Subsequent follow-up drill programs in 2017 and 2018 systematically tested an interpretation of gold mineralization that preferentially targets disseminated gold mineralization associated with a ‘D3’ fault, the “Bonanza Fault”. Continued positive results from 2018 drilling which showed extensive near-surface areas of disseminated gold in addition to gold-bearing veins supports the potential for economically interesting gold mineralization. (Any potential quantity of



the Lone Star Zone is currently conceptual in nature at this time; there is no certainty further drilling will result in the target being upgraded or delineated as a mineral resource.)

The Lone Star Zone currently encompasses three geographic target areas: Lone Star in the centre, O'Neil to the west, and Pioneer to the east, across a total length so far of approximately four kilometers of drill testing in proximity to the Bonanza Fault (see News Release dated January 10, 2018) and associated with a continuous gold-in-soil anomaly.

Drilling efforts in 2018 focussed on systematically evaluating the gold mineralization within a portion of the Lone Star Zone by testing across a 900 meter strike length by 200 meter width at approximately 50 meter intervals. The objective was to evaluate the overall tenor of gold, to investigate the variability of gold grade within different local rock types, to estimate the effect and volume of mineralized faults and also unmineralized late dykes (if any) from which a better understanding of the detailed controls to gold mineralization could be derived.

The gold, both as disseminations in host rock and contained within quartz veins, is located in a zone above (in the hanging wall) and adjacent to the Bonanza Fault. Gold mineralization outcrops at surface, can occur across an inferred width of up to 130 meters, to a vertical depth of 50 meters consistently and to below 100 meters on some sections, and the zone is interpreted to strike north-northwest and dip 35 to 50 degrees to the north-northeast.

The Company used oriented core in part, and subsequently conducted a comprehensive analysis by XRF of the chemistry of Lone Star Zone. Full geological and structural interpretation based on this abundance of data collected is in progress at this time.

#### Nugget Zone

The overall objective of 2018 drilling within the Eldorado Creek drainage was to test various areas for gold mineralization in proximity to the interpreted Nugget Fault. The Nugget Zone plus the along-strike Nugget East, Glacier, and Oro Grande targets associated with the 'D3' Nugget Fault were investigated in 2018. Preliminary interpretation considers the multi-kilometer Nugget Fault to be a gold mineralized controlling structure which is cutting brittle mafic and felsic schist lithologies.

Gold mineralization identified so far is predominantly hosted by quartz veining and quartz vein arrays along the Nugget Fault, in contrast to the Lone Star Zone where intermediate schist is the primary host unit for gold which is permissive for extended widths of disseminated gold with much less frequent quartz veining.

The objective of drilling in 2018 was to examine/define the upper and lower bounds of the Nugget Zone mineralization, to test for other areas of economically interesting gold mineralization along the Nugget Fault, and to obtain structural information from oriented core measurements.

Drilling along the Nugget Fault have identified local zones with economically interesting grades of gold mineralization with highlights such as 2.36 g/t Au over 22.86 meters at the Nugget East target and 5.1 g/t Au over 14.3 meters (2015 result) and 1.6 g/t Au over 45.2 meters (2018 result from additional sampling). (Refer to News Release dated January 24, 2019)



The Nugget Fault occurs at mid-slope on the east bank of Eldorado Creek. Gold intersected along the Nugget Fault in particular has been shown to be one of the sources of the rich Eldorado Creek alluvial placer gold deposits from the past century.

#### Gold Run Target

The Gold Run target is associated with the major basement fault imaged in 2018 airborne magnetics and named the Rabbit Fault, associated with the Lone Star Zone, and now interpreted to run the 50 km length of the Klondike District to the vicinity of Gold Run Creek area.

Four initial holes were drilled in the Gold Run Creek area at the Aime showing in 2018. These drill holes targeted an area of historic shafts located by prospecting from which numerous grab samples returned values of 0.6 to 55 g/t Au (see news release May 24, 2018).

Drilling in all four holes encountered gold-bearing quartz veins, some with visible gold, within extensive carbonate alteration hosted by weakly foliated mafic schist. The most interesting drill intersection was 1.23 g/t Au over 13.5 meters (see news release dated October 4, 2018).

The Rabbit Fault underlies Gold Run Creek. Gold mineralization associated with this fault is considered to be one of the bedrock sources of the alluvial gold mined and being mined from Gold Run Creek.

These early-stage results from Lone Star Zone to Gold Run along the 50 km length of the Klondike District trend are encouraging and demonstrate the auriferous nature of the bedrock mineralizing system as expected.

#### **Quality Assurance and Methods**

Drill core samples are submitted by Klondike Gold personnel to Bureau Veritas Mineral Laboratories (“BV Labs”) (formerly Acme Labs) preparation facility in Whitehorse, YT with chemical analysis of sample pulps completed in Vancouver, British Columbia. BV Labs is an accredited ISO 9001:2008 full-service commercial laboratory. All drill core samples are assayed for gold by fire assay (“FA”) fusion with a gravimetric finish. Full sampling/assay procedures and protocols can be viewed on the Company’s website at: <http://www.klondikegoldcorp.com/projects/sampling-and-assay-protocols/>.

#### **PROPERTY ACQUISITIONS**

##### **Burkhard Purchase**

On September 28, 2017 the Company entered into a Property Acquisition Agreement with Sylvia Burkhard (“Burkhard”) for the purchase by Klondike Gold Corp. of a 100% interest in Burkhard’s 6 mining claims covering 122.6 hectares located in the Dawson mining district, Yukon Territory. The Company has granted to Burkhard a 2% Net Smelter Returns (“NSR”) Royalty in respect of the Burkhard property, of which the Company may purchase one-half of the NSR Royalty (being a 1% NSR Royalty) for cash in the amount of \$1,000,000 at any time.



**YUKON PLACER GOLD PROPERTY**

The Yukon Placer Gold property consist of the Eldorado Creek Placer Project and Montana Creek Placer Project

***Eldorado Creek Placer Project***

No work has been conducted on the Eldorado Creek Placer Project in 2018. A small work program is planned for 2019.

***Montana Creek Placer Project***

The Montana Creek placer project is located 55 km south of Dawson City within the southern boundary of the Klondike Gold Fields. Approximately 60% of the Montana Creek 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 3 kilometers and remain open for expansion to the east and south.

The Company received royalties from gold production on the Indian River property of \$216,341 in 2014 and \$526,994 in 2015, from a total production in those years of 4,300 ounces of gold.

In early 2017, the Company applied to renew mining extraction permits for 5 years, with the decision document still pending a decision at this time.

**BRITISH COLUMBIA PROPERTIES**

In southeast British Columbia, the Company has a portfolio of gold and base metal projects. Gold targets include several past producers and historic placer producers.

The following table sets forth the British Columbia properties held by the Company.

British Columbia Properties (Table)

<b>Ownership</b>	<b>Property</b>	<b>Number of Claims</b>	<b>Area (sq. km)</b>
Klondike Gold Corp.	Thea	1	1.9
Klondike Gold Corp.	Quartz Mountain	58	23.6
Klondike Gold Corp.	Clubine	5	2.3
Klondike Gold Corp.	Hughes Range	6	4.1
Klondike Gold Corp.	Ron Gold	29	11.7
<b>TOTAL CLAIMS</b>		<b>99</b>	<b>43.6</b>



## **OVERALL FINANCIAL PERFORMANCE**

### **Results from Operations and Corporate Updates**

As at November 30, 2018, a total of \$18.81 million was held in exploration and evaluation assets (February 28, 2018 - \$15.02 million), which is invested in the Yukon. Total assets increased to \$21.34 million (February 28, 2018 - \$22.01 million).

During the nine months ended November 30, 2018, the Company raised \$19,400 from the exercise of options and \$10,800 from the exercise of warrants. Working capital as at November 30, 2018, was \$1,727,178, as compared with \$6,202,786 as at February 28, 2018, due primarily to \$1,184,577 used in operating activities and \$3,511,646 used in investing activities.

#### *Three months ended November 30, 2018 and 2017*

The Company's net loss for the three months ended November 30, 2018, was \$261,557 down from \$397,348 for the nine months ended November 30, 2017. The majority of the decrease in net loss for the three months ended November 30, 2018, was the result of lower management fees and wages as compared to the same period in the prior year.

#### *Nine months ended November 30, 2018 and 2017*

The Company's net loss for the nine months ended November 30, 2018, was \$1,276,531 down from \$1,581,329 for the nine months ended November 30, 2017. The majority of the decrease in net loss for the nine months ended November 30, 2018, was the result of lower marketing costs as compared to the same period in the prior year.

## **SUMMARY OF QUARTERLY RESULTS**

### **Quarter Ended**

	Nov 30, 2018	Aug 31, 2018	May 31, 2018	Feb 28, 2018
	\$	\$	\$	\$
Revenue	-	-	-	-
Net Loss	(261,557)	(40,099)	(974,875)	(84,537)
Net Loss Per Share	(0.00)	(0.00)	(0.00)	(0.00)

	Nov 30, 2017	Aug 31, 2017	May 31, 2017	Feb 28, 2017
	\$	\$	\$	\$
Revenue	-	-	-	-
Net Loss	(397,348)	(594,677)	(519,672)	(210,917)
Net Loss Per Share	(0.00)	(0.01)	(0.01)	(0.00)



**KLONDIKE GOLD CORP.**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2018**



Included in net loss for the quarters ended May 31, 2018, May 31, 2017, and February 28, 2017, was share-based compensation of \$541,434, \$283,910, and \$41,401, respectively.

**FINANCIAL LIQUIDITY AND CAPITAL RESOURCES**

The Company had working capital of \$1,727,178 at November 30, 2018, compared to working capital of \$6,202,786 at February 28, 2018. The Company's cash position at November 30, 2018, was \$1,868,003 and at February 28, 2018, was \$6,534,026.

During the nine months ended November 30, 2018, the Company's cash decreased by \$4,666,023. Cash provided by financing activities included \$19,400 in proceeds from the exercise of options and \$10,800 in proceeds from the exercise of warrants. Cash used in investing activities included \$3,468,846 used to fund exploration and evaluation expenditures, partially offset by \$85,500 in proceeds on disposition of property and equipment. Cash used in operating activities totaled \$1,184,577 (November 30, 2017 - \$1,461,403).

**SHARE CAPITAL INFORMATION**

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

As at the date of this MD&A, an aggregate of 96,887,881 common shares are issued and outstanding.

**Warrants**

As at the date of this MD&A, the Company has 20,648,717 warrants outstanding to acquire common shares as follows:

Number Outstanding	Exercise Price Per Share [\$]	Expiry Date
1,761,666	0.35	March 13, 2019
1,387,286	0.20	April 4, 2019
149,389	0.34	August 23, 2019
2,861,340	0.40	August 23, 2019
1,809,386	0.45	August 23, 2019
551,650	0.34	August 30, 2019
3,103,000	0.45	August 30, 2019
7,025,000	0.30	April 4, 2020
2,000,000	0.35	May 31, 2021
<b>20,648,717</b>		

**KLONDIKE GOLD CORP.**  
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**Stock Options**

As at the date of this MD&A, the Company has 8,946,500 stock options outstanding to acquire common shares as follows:

Number Outstanding	Exercise Price Per Share [\$]	Expiry Date
1,656,500	0.12	December 16, 2024
855,000	0.19	April 19, 2026
685,000	0.28	June 21, 2026
400,000	0.30	September 13, 2026
150,000	0.17	January 19, 2027
150,000	0.19	February 2, 2027
1,400,000	0.26	April 24, 2027
3,650,000	0.29	March 28, 2028
<b>8,946,500</b>		

**RELATED PARTY TRANSACTIONS**

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

- a) During the nine months ended November 30, 2018, the Company was charged management fees of \$103,500 (November 30, 2017 - \$203,500) by a company owned by the CEO of the Company. Of this amount, \$55,200 (November 30, 2017 - \$58,650) was included in additions to exploration and evaluation assets. As at November 30, 2018, \$nil (February 28, 2018 - \$24,150) was payable to this Company.
- b) During the nine months ended November 30, 2018, the Company was charged \$90,000 (November 30, 2017 - \$160,000), \$nil of which was share issue costs (November 30, 2017 - \$70,000), by a company whose CEO is a director of the Company, for corporate administration services included in Consulting on the statements of net loss and comprehensive loss.

**Key Management Compensation**

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

Included in share-based compensation for the nine months ended November 30, 2018, was \$358,517 for vested stock options granted to directors and officers of the Company, and affiliated companies of directors and officers of the Company (November 30, 2017 - \$202,793)



## **NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

### Recently adopted accounting standards

IFRS 9 - The Company has initially adopted IFRS 9 from March 1, 2018. IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. There was no material impact to the Company's financial statements as a result of transitioning to IFRS 9, and no prior period amounts were restated.

The details of the new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

#### (i) Classification and measurement of financial assets and liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available-for-sale.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below:

A financial asset is classified as measured at: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The Company's financial assets which consist primarily of cash and cash equivalents, restricted cash, amounts receivable, and reclamation bond are classified and measured at amortized cost. The Company's investments are classified and measured at FVOCI. Trade and other payables and due to related parties are classified as other financial liabilities.

### Issued but not yet effective

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. The standards listed below include only those which the Company reasonably expects are applicable to the Company:

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

IFRS 16 - Leases applies to lessees, requiring the recognition of assets and liabilities for most leases and eliminates the distinction between operating and financing leases, effective for annual periods beginning on or after January 1, 2019.



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

## **FINANCIAL INSTRUMENT CLASSIFICATIONS**

The Company has classified cash and cash equivalents, restricted cash, amounts receivable, and reclamation bond as measured at amortized cost. Investments are classified as measured at FVOCI. 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.

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

There have been no changes during the nine months ended November 30, 2018, as to how the Company classifies its financial assets and liabilities by FVTPL, FVOCI, amortized cost, and other financial liabilities upon adoption of IFRS 9.

As at November 30, 2018, 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 cash and cash equivalents, restricted cash and amounts receivable. Cash and cash equivalents, and restricted cash, are held with large Canadian banks or brokerages. Management believes the risk of loss to be remote. The Company's amounts receivable is primarily comprised of amounts owing from the Government of Canada for input tax credits receivable. Accordingly, the Company does not believe it is subject to significant credit risk.

### ***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.

### ***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, foreign 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 November 30, 2018. 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. In addition, the Company's investments which comprise publicly traded equity securities and warrants exercisable into common shares of a public company, are subject to price risk.

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.

## **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.

### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the financial statements require management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require



accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Company's critical accounting estimates include the valuation of share-based compensation, while its critical accounting judgements include carrying amount of mineral properties under exploration and the measurement of current and deferred income taxes. Details of these assumptions can be found in Note 3 to the annual consolidated financial statements for the year ended February 28, 2018.

### **MANAGEMENT AND BOARD OF DIRECTORS**

During the nine months ended November 30, 2018, the Company hired Ian Perry, P.Geol. as VP of Exploration. No other changes to the Klondike management or Board of Directors occurred during the period.

### **OUTLOOK**

Management believes there is potential for further discoveries and concomitant possibility for value creation at its gold properties in the Klondike District, Yukon. Exploration in 2015 through 2018 has identified gold mineralization in outcrop and drilling through the 55 km length of the Klondike District that indicates the area has considerable exploration potential that warrants further testing. Exploration discoveries to date at Lone Star, Nugget, and Gold Run can be shown to be the local source of alluvial gold mined from individual creeks.

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 completed spending approximately \$3.1 million for the 2018 work program, which has shown promising results from drilling as well as prospecting and other surveying through the entirety of the Company's extensive property. The Company has identified an orogenic gold model with similarities to both the nearby Coffee Gold deposit and Golden Saddle mineral resource that guides exploration and predicts the Klondike District has significant potential for future discovery of gold mineralization. The recent and continued results from Lone Star and Nugget drilling have, in the opinion of Company's management, upgraded the potential of the Klondike District properties to host significant in situ gold mineralization.

In general, management is acting on the expectation that successful exploration that yields gold discoveries can add significant value to shareholders at a time of rising demand for the commodity.